City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

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Wednesday, September 20, 2000 | 10:00 AM | City Hall, Room 263

c/00

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:14 a.m.

REGULAR AGENDA

000635 **[Public Utilities Revenue Transfers]**

Supervisors Yee, Bierman

Ordinance amending Article 7 of Part I of the San Francisco Administrative Code by adding Section 2A.135, providing for the appropriation to the Public Utilities Commission of a portion of surplus Hetch Hetchy revenues transferred to the General Fund, and providing for periodic increases in the amounts to be returned to the Commission.

(Fiscal impact; Adds Section 2A.135.)

4/10/00, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 5/10/2000.

Continued to September 27, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001488 **[Government Funding - Sheriff Department]**

Mayor

Ordinance appropriating $151,241,017 of proceeds from Certificate of Participation and interest income to finance the demolition of old San Bruno Jail No. 3 and the construction of a new jail, providing for improved seismic, operational and general security systems for the Sheriff Department for fiscal year 2000-2001.

(Fiscal impact.)

8/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Hennessey, Sheriff.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $151,241,017 of proceeds from Certificate of Participation and interest income to finance the demolition of old San Bruno Jail No. 3 and the construction of a new jail, providing for improved seismic, operational and general security systems for the Sheriff Department for fiscal year 2000-2001; placing $7,792,000 on reserve.

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001356 [Memorandum of Understanding - MEA]

Mayor

Ordinance implementing the provisions of a Memorandum of Understanding between the Municipal Executives' Association and the City and County of San Francisco for Bargaining Unit F3 to be effective July 1, 1999 through June 30, 2001.

7/24/00, RECEIVED AND ASSIGNED to Finance and Labor Committee 8/3/00 - From Department of Human Resources, substitute file copy of the MOU for MEA Fire Chiefs, FY 1999-2001, reflecting updates to the Wellness Program provisions.
9/14/00 - From Department of Human Resources, substitute file copy of the MOU for MEA Fire Chiefs, FY 1999-2001, providing for clarification under MOU Section IV B. relating to the Training and Education Achievement Pay provision.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, ERD, Human Resource Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001191 [Airport Revenue Bonds]

Resolution approving the issuance of up to $1,000,000,000 additional aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing or refinancing certain infrastructure improvements at San Francisco International Airport, approving the issuance of Airport Commission debt obligations pursuant to the Internal Revenue Code of 1986, approving the Ninth Supplemental Resolution of the Airport Commission and approving certain related contracts. (Airport Commission)

(Fiscal impact.)

6/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving the issuance of up to $671,165,000 additional aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing or refinancing certain infrastructure improvements at San Francisco International Airport, approving the issuance of Airport Commission debt obligations pursuant to the Internal Revenue Code of 1986, approving the Ninth Supplemental Resolution of the Airport Commission and approving certain related contracts. (Airport Commission)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001265 [CEQA Findings - Emporium Site Development]

Supervisor Yaki

Resolution affirming certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Agency Commissions and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project and various other actions necessary to implement the project.

(Final EIR Certification Date: January 13, 2000; companion measure to Files 992234, 992235, 001265, 001256, 001257, 001258, 001259, 001266, 001267, 001434.)

Supervisor Yee dissenting in committee.

Supervisor Becerril excused from voting in Board.

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/22/00, RECOMMENDED. Heard in committee. Speakers: Emilio Cruz, Director of Economic Development; Bill Carney, Redevelopment Agency; Kevin Warner, Senior Development Specialist, Redevelopment Agency; David Jones, Project Developer, Forest City; Jim Firth, UFCW Local 101; Walter Johnson, San Francisco Labor Council; H. Brown; Jim Chappell, SPUR; Anita Hill, Yerba Buena Alliance; Doug Comstock, Coalition for San Francisco; Jennifer Clary, San Francisco Tomorrow; Michael Levin; Mary Ann Miller, San Francisco Tomorrow; Myles Stephens, San Francisco Black Chamber of Commerce; Gary Jenkins; Charles Range; Alan Gibson, Budget Analyst Office.

Revised versions of Attachment A and Exhibit 2 were received and placed in the file.

8/22/00, REFERRED to Finance and Labor Committee.

8/23/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway; Jim Firth, Local 101; Walter Johnson, S. F. Labor Council; Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

8/28/00, CONTINUED. Supervisor Yaki requested this matter be continued to September 18, 2000.

9/18/00, CONTINUED. Supervisor Yaki moved to continue consideration to September 25, 2000.

Continued to September 27, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001267 **[Tax Increment Allocation/Financing Agreement - Emporium Site]**
Supervisor Yaki

Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco ("City") and the Redevelopment Agency of the City and County of San Francisco ("Agency"), under which the City agrees to a pledge by the Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C. ("Developer"), a subsidiary of Forest City Enterprises, in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate ("Financing Agreement") in connection with the Development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law; making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the agreement is consistent with the city's General Plan and Eight Priority Policies of city Planning Code Section 101.1.

(Fiscal impact.)

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/11/00, TRANSFERRED to Finance and Labor Committee. In conjunction with this matter, File 001265, CEQA findings, will be considered by the Finance and Labor Committee on August 23, 2000.

8/23/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway; Jim Firth, Local 101, Walter Johnson, S. F Labor Council; Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

Continued to September 27, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001479 **[Authorizing expenditure of funds estimated at $558,000 for emergency work at San Mateo Creek]**

Resolution approving the expenditure of funds for the emergency work to design and construct slope and stream bank restoration and erosion protection for the San Mateo Creek. (Public Utilities Commission)

8/9/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Chris Nelson, Public Utilities Commission. Amended to increase project cost to $558,988.86.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001429 **[Sprint Spectrum Transmitter Lease at the Performing Arts Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the Performing Arts Garage to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001430 **[Sprint Spectrum Transmitter Lease at Pierce Street Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the Pierce Street Garage to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001431 **[Sprint Spectrum Transmitter Lease at the Fire Station No. 43]**

Resolution authorizing and approving a lease of cellular transmitter space at the Fire Station 43 to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001432 **[Nextel Communications Transmitter Lease at the S.F. General Hospital Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the San Francisco General Hospital Garage to Nextel Communications. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001533 **[Reserved Funds, Mayor's Office of Community Development - 2000 CDBG Block Grant Program]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development, in the amount of $43,581 (File 000488: Resolution No. 349-00), for Compass Point Nonprofit Services to fund the 5-year Homeless Continuum of Care Plan and to provide technical assistance services to MOCD funded nonprofit organizations. (Mayor)

8/23/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anna Yee, Mayor's Office of Community Development. Release of reserved funds in the amount of $43,581 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001534 **[Reserved Funds, Mayor's Office of Community Development - 1998 CDBG Block Grant Program]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development, in the amount of $500,000 (File 98-0217: Resolution No. 121-98), to fund the construction of the City College Training Center at 1400 Evans Avenue. (Mayor)

8/23/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Pon, Mayor's Office of Community Development. Amended to only release $81,000.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001523 **[Contracting out Airport parking management operations for fiscal year 2000/01]**

Resolution approving the Controller's certification that parking management services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 2000 than if work were performed by City employees at budgeted levels. (Airport Commission)

8/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

001537 **[Contracting out Offender Shelter Services]**

Resolution concurring with the Controller's certification that Shelter and Intake for Status Offenders services for the Juvenile Probation Department can practically be performed by private contractor at a lower cost commending July 1, 2000 than if work were performed by City employees at budgeted levels. (Juvenile Probation Department)

8/23/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Lonnie Holmes, Juvenile Probation Department. Amended to provide for retroactivity.

AMENDED.

Resolution concurring retroactively with the Controller's certification that Shelter and Intake for Status Offenders services for the Juvenile Probation Department can practically be performed by private contractor at a lower cost commending July 1, 2000 than if work were performed by City employees at budgeted levels. (Juvenile Probation Department)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001455 **[Reserved Funds, Human Services Department]**

Hearing to consider release of reserved funds, Department of Human Services, (Fiscal Year 2000-2001 Budget), in the amount of $636,000 to fund the Hotel Master Lease Program that will provide and operate a supportive hotel for formerly homeless individuals in San Francisco. (Human Services Department)

8/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Department requests this item be calendared at the September 6, 2000 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Will Lightbourne, Executive Director, Human Services Department; Supervisor Ammiano. Amended to release $700,000 retroactively.

AMENDED.

Hearing to consider release of reserved funds, Department of Human Services, (Fiscal Year 2000-2001 Budget), in the amount of $700,000 to fund the Hotel Master Lease Program that will provide and operate a supportive hotel for formerly homeless individuals in San Francisco, retroactive to September 1, 2000. (Human Services Department)

Continued to October 4, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001437 **[San Francisco Affinity Phone Card Program]**

Supervisor Bierman

Resolution authorizing the Department of Administrative Services to enter into an operating and licensing agreement with Pacific Bell Telephone Company, a Northern California company, for the development and operation of the San Francisco Affinity Phone Card Program and implementation thereunder.

8/7/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Kofo Domingo, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001374 **[1660 Mission Proposed Expansion]**

Supervisor Yee

Hearing to consider the impact of the Department of Building Inspection's proposed expansion of 1660 Mission Street on staff who will continue to occupy the building, including measures that will be implemented to ensure a safe, healthy work environment, sufficient air quality, noise/dust abatement, and adequate open space.

7/24/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

8/14/00, TRANSFERRED to Finance and Labor Committee.

8/23/00, CONTINUED. Continued to September 20, 2000.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

SPECIAL ORDER - 11:30 A.M.

001507 **[Closure of Portions of Fort Funston]**

Supervisor Yee

Hearing to consider the National Park Services closure of open space at Fort Funston which has resulted in a reduction in land available for dog walking and other recreational use by residents.

8/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Supervisor Yee; Lydia Boesch, Attorney; Nathan Winograd, SPCA; Linda Shore, Physicist; Nancy Barber; Linda McKay, Fort Funston Dog Walkers Association; Grayce Regan, Independent Living Resource Center; Florence Sarrett; Eleanor Vinsant; Alan Grant; Alberta Romanini; Christy Cameron; Laura Cavaluzzo; Larry Shockey, Attorney; Linda Horning; Roulhac Garn; Lynn Walker; Steven Krefting, National Parks Conservation Assoc.; Supervisor Bierman; Supervisor Ammiano; Jennifer Finlay; Anne Farrow, SFDOG; Patricia LaCava; Lindsay Kefauver; Vicki Tiernan; George Durgerian, Park Ranger; Laura Sweet; Lisa Vatorie; Shelia Mahoney; Ann Alden; Robin Buckley; John Keeting; Eric Finseth, Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

Meeting adjourned at 12:53 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 14, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: September 20, 2000 Finance and Labor Committee Meeting

Item 1 – File 00-0635

Item: Ordinance Amending Article 7 of the San Francisco Administrative Code by adding a new Section 2A1.35, providing that, effective in FY 2000-2001, a portion of surplus Hetch Hetchy revenues previously transferred to the General Fund would be appropriated for PUC capital projects instead of retained in the General Fund, and providing for annual increases of the percentage of such surplus Hetch Hetchy revenues to be retained by the Public Utilities Commission for PUC capital projects instead of transferring such monies to the General Fund.

Description: Charter Section 16.103(b)3 provides that the Public Utilities Commission, with the concurrence of two-thirds of the Board of Supervisors, may authorize the transfer of any portion of Hetch Hetchy surplus funds, as defined by the Charter, to the General Fund upon making all of the following findings of fact and judgment:

(A) That a surplus exists or is projected to exist after meeting the requirements of this section;

(B) That there is no unfunded operating or capital program that by its lack of funding could jeopardize health, safety, water supply or power production;

(C) That there is no reasonably foreseeable operating contingency that cannot be funded without General Fund subsidy (meaning that the unappropriated fund balance for the Hetch Hetchy operating fund is sufficient to meet any "reasonably foreseeable operating contingency"); and

(D) That such a transfer of funds in all other respects reflects prudent utility practice.

The proposed ordinance states that whenever surplus Hetch Hetchy revenues are transferred to the General Fund, a portion of that transfer shall instead be appropriated to the PUC for *"construction, rehabilitation and repair of potable water distribution and wastewater collection facilities under the control and authority of the PUC".*

The proposed ordinance further provides that 10 percent of the FY 2000-2001 Hetch Hetchy surplus transferred to the General Fund shall be reappropriated to the PUC for capital projects.

Lastly, the proposed ordinance states that for all fiscal years subsequent to FY 2000-2001, 10 percent of the amount of surplus Hetch Hetchy revenues to be transferred to the General Fund shall instead by reappropriated to the PUC for PUC capital projects and such surplus for the PUC shall increase by ten percent each fiscal year. Based on this proposed provision, after ten years, beginning in FY 2010-2011, all surplus Hetch Hetchy revenues that would have otherwise been transferred to the General Fund shall instead be appropriated for PUC capital projects including construction, rehabilitation and repair of potable water distribution and wastewater collection facilities under the control and authority of the PUC, with no further Hetch Hetchy transfers to the General Fund.

Comments:

1. The FY 2000-2001 budget, as adopted by the Board of Supervisors, is based on total General Fund revenue sources that include a transfer of Hetch Hetchy surplus revenues to the General Fund in the amount of $29,850,000. This Hetch Hetchy transfer for FY 2000-2001 is $10,000,000 or 25.1 percent less than the $39,850,000 transfer for FY 1999-2000.

If this proposed ordinance is adopted, ten percent of the FY 2000-2001 $29,850,000 Hetch Hetchy transfer to the General Fund, or $2,985,000, must be appropriated to the PUC for the PUC capital program. Such a reappropriation of General Fund sources would reduce the FY 2000-2001 General Fund General Reserve by $2,985,000 from $30,013,905 to $27,028,905. The percentage of surplus Hetch Hetchy funds to be appropriated to PUC capital programs instead of being transferred to the General fund would be increased 10 percent each year thereafter until FY 2009-2010 when 100 percent of such surplus funds would be appropriated to the PUC capital program instead of being transferred to the General Fund.

2. The decreased FY 2000-2001 Hetch Hetchy surplus transfer to the General Fund described in Comment 1 above is due to a combination of factors, including reduced revenue due to deregulation of the electric utility industry and increased expenditures for facilities maintenance and capital improvements. Over many years, the Hetch Hetchy surplus transfer to the General Fund has been a volatile revenue source, subject to a high degree of fluctuation. In dry years, a reduced water supply has resulted in reduced hydroelectric generation and reduced revenue. Even in wet years, storm damage has reduced the Hetch Hetchy surplus transfer to the General Fund because of increased facilities maintenance expenditures for repair and reconstruction.

The table below shows the amount of the Hetch Hetchy transfers to the General Fund for each of the last ten fiscal years, from FY 1991-92 to FY 2000-2001. The table shows that the amount of the Hetch Hetchy transfer to the General Fund has ranged from a low of $11,000,000 to a high of $$45,703,000. The average amount of the Hetch Hetchy transfer over the last ten years was $31,023,600.

Hetch Hetchy Equity Transfers to the General Fund
Source: Annual Appropriation Ordinance

Fiscal Year	Hetch Hetchy Transfer to General Fund
2000-2001	$29,850,000
1999-2000	39,850,000
1998-99	42,703,000
1997-98	45,703,000
1996-97	37,703,000
1995-96	30,165,000
1994-95	25,462,000
1993-94	30,800,000
1992-93	17,000,000
1991-92	11,000,000
Average:	$31,023,600
Minimum:	$11,000,000
Maximum	$45,703,000

3. The PUC has previously reported to the Board of Supervisors that, based on a draft 1998 12 year capital plan, spending requirements for the PUC's Water and Sewer enterprises amount to approximately $3,500,000,000. Funding for most such capital spending will require the expenditure of currently authorized revenue bonds and the authorization of new revenue bonds.

To the extent that PUC available funding is increased in the future through a reduction in Hetch Hetchy funds transferred to the General Fund, the need for future capital project funding through the issuance of revenue bonds can be reduced or, alternatively, increased capital projects can be completed.

However, the Budget Analyst notes that a reduction in General Fund funding sources through the gradual decrease, and eventual elimination, of the Hetch Hetchy transfer, will require either reduced General Fund spending, new General

Fund revenue or some combination of the two in order to balance the General Fund budget in future fiscal years.

The table below illustrates the amount of the Hetch Hetchy transfer that would not be transferred to the General Fund and instead be retained by to the PUC for appropriation to the PUC capital program, assuming that the transfer amount remains constant over the next ten years at FY 2000-2001 levels. As noted above, the amount of the transfer can vary significantly.

Fiscal Year	Assumed Amount of Hetch Hetchy Transfer to General Fund[1]	Percentage to be Appropriated for PUC Capital Projects Instead of Being Retained by the General Fund	Amount to be Appropriated for PUC Capital Projects	Cumulative Amount to be Appropriated for PUC Capital Projects and Not Retained by the General Fund
2000 -01	$ 29,850,000	10%	$ 2,985,000	-
2001 -02	29,850,000	20%	5,970,000	$ 8,955,000
2002 -03	29,850,000	30%	8,955,000	17,910,000
2003 -04	29,850,000	40%	11,940,000	29,850,000
2004 -05	29,850,000	50%	14,925,000	44,775,000
2005 -06	29,850,000	60%	17,910,000	62,685,000
2006 -07	29,850,000	70%	20,895,000	83,580,000
2007 -08	29,850,000	80%	23,880,000	107,460,000
2008 -09	29,850,000	90%	26,865,000	134,325,000
2009 -10	29,850,000	100%	29,850,000	164,175,000

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

[1] Amount of Hetch Hetchy Transfer to General Fund is assumed to be constant beginning with the transfer budgeted for FY 2000-01. The actual funds available for transfer to the General Fund can vary significantly as discussed in Comment 2.

Item 2 – File00-1488

Department: Sheriff
Mayor's Office of Public Finance (MOPF)
Department of Public Works (DPW)
City Attorney

Item: Ordinance appropriating $151,241,017 in proceeds from the sale of Certificates of Participation and interest income to finance the demolition of San Bruno Jail No. 3 and the construction of a new jail, providing for improved seismic, operational and general security systems fir the Sheriff's Department.

Amount: $151,241,017

Source of Funds:

Sale of Certificates of Participation	$137,235,000 *
Projected Interest Income	14,006,017
Total	$151,241,017

* The par amount of the Certificates of Participation was formerly estimated at $170,310,000 (see below).

Description: In March of 2000, the Board of Supervisors adopted an Ordinance (File 00-0088) authorizing the Sheriff's Department, the Department of Public Works, the City Architect, the City Attorney's Office and the Mayor's Office of Public Finance to negotiate and enter into a design-build/finance contract for the County Jail No. 3 Replacement Project.

In May of 2000, the Board of Supervisors adopted an Ordinance (File 0778) authorizing the Department of Public Works to enter into a design-build contract with Morse Diesel International Inc. for the County Jail No. 3 Replacement Project. The contract provided for a maximum construction cost for the project not exceeding $115,000,000. This project maximum of $115,000,000 was for the design/build contract only and did not include other City costs, such as DPW contract administration, related to the project that totaled $17,200,582. The total cost of the replacement project was set at $132,200,582, not including issuance costs for the Certificates of Participation, capitalized interest[1] and costs incurred by the City

[1] During the construction of the project, the City cannot make lease payments on the facility until the City has beneficial use of the new Jail. Therefore, interest payments during the period of construction must be paid from the proceeds of the sale of the COPs.

Attorney, Controller and the Mayor's Office of Public Finance. Including these latter costs, total project and related costs are $151,241,017.

Also in May of 2000, the Board of Supervisors adopted a Resolution (File 00-0783) approving the execution and delivery of Certificates of Participation in an amount not to exceed $170,310,000 to finance a new maximum security jail facility to replace the existing San Bruno Jail No. 3. This resolution also authorized the City to execute an Asset Transfer in order to reduce the amount of money that must be borrowed in order to fund the project.

Because of a) favorable market conditions and lower than anticipated interest rates, b) the use of the Asset Transfer approved by the Board of Supervisors to reduce capitalized interest and reduce credit risk and, c) the ability of the City to secure a debt service surety policy (i.e. bond insurance) in place of a funded cash reserve, the City was able to substantially reduce the amount of Certificates of Participation (COPs) that needed to be sold in order to fund the project. Instead of a COPs issuance of $170,310,000, the MOPF executed the sale of $137,235,000 in COPs to fund the project, or $33,075,000 less than the amount authorized by the Board of Supervisors.

Budget: A summary budget for the proposed San Bruno Jail No. 3 Replacement Project appropriation is shown below.

Buildings, Structures and Improvements	$ 132,200,582
Debt Service (Capitalized Interest)	12,810,466
COP Issuance Costs	2,635,845
Original Issue Discount	2,773,351
Services of City Attorney	606,694
Services of Controller	15,000
Services of MOPF	191,135
Other Current Expenditures - Contingency	7,944
Total	$151,241,017

As noted above, the construction cost of $132,200,582 is comprised of $115,000,000 for the design/build contract with Morse Diesel International Inc. and other City costs related to the project of $17,200,582. Attachment 1 provides further details of the $115,000,000 for the Morse Diesel design/build contract as previously approved by the Board of Supervisors. Attachment 2, provided by James Cheng, DPW Project Manager, provides further details for the $17,200,582 in additional City costs.

According to Ms. Monique Moyer, Director of Finance for the Mayor's Office of Public Finance, the amount of $12,810,466 budgeted for debt service (capitalized interest) represents interest only payments that must be made on the COPs debt during the approximately 38 month period between the issuance of the COPs and the completion of construction. The DPW anticipates issuance of a notice to proceed in October of 2000 and project completion in 36 months (or September of 2003).

The proposed appropriation ordinance specifies Certificate of Participation issuance costs of $2,635,845. However, Ms. Moyer indicates that the correct figure for actual issuance costs is $2,632,460 (see Comment 2). Details of the cost of issuance for the Certificates of Participation as provided by Ms. Moyer are shown in Attachment 3.

The proposed appropriation ordinance specifies Bond Discount (or Original Issue Discount) costs of $2,773,351. This discount is the purchase price to investors in the COPs which is deducted from the par amount of the issuance.

Remaining items budgeted in the proposed appropriation ordinance include reimbursement of costs incurred by City Departments ($606,694 for the City Attorney, $15,000 for the Controller and $191,135 for the Mayor's Office of Public Finance) and a contingency amount of $7,944.

According to Ms. Moyer, actual reimbursement for the City Attorney should be $615,500 or $8,806 more than the $606,694 budgeted. Attachment 4 from the City Attorney provides details on charges to the San Bruno Jail No. 3 replacement project in the amount of $609,582 which were incurred through August 22, 2000. According to Ms. Martie Moore of the City Attorney's Office, the $5,918 balance payable to the City Attorney ($615,500 less

$609,582 detailed in Attachment 4) represents additional staff time subsequent to the sale of the Certificates of Participation.

Costs of $15,000 for the Controller are for anticipated expenditure control and auditing costs.

The $191,135 in expenses for the MOPF are detailed as follows according to Ms. Moyer.

Staff	Hourly Rate	Hours	Cost
Director of Public Finance	$ 93.00	1,820	$ 169,260
Public Finance Manager	$ 65.00	250	16,250
Public Finance Staff	$ 45.00	125	5,625
Total			$191,135

Comments: 1. Attachment 2 provided by Mr. Cheng provides DPW's detailed City project costs of $17,200,582 for the following:

- Utilization of an existing project contractor, selected on a competitive basis, for peer review services in the amount of $500,000;
- Detailed staffing for Materials Testing ($350,000); Inspection and Construction Administration ($3,769,219); Hazardous Materials Mitigation and Environmental Monitoring Issues ($500,000); Project Management ($1,831,363); and, construction management ($500,000).

Attachment 2 also includes a $6,000,000 "Regulatory Fund and City Contingency" budget item for environmental costs and other contingencies during the project. At this time, Mr. Cheng is unable to provide full expenditure details for the $6,000,000 Regulatory Fund and City Contingency. However, Mr. Cheng explains that during the initial phase of the project, DPW requests that $1,700,000 of the $6,000,000 be released so that such funds would be immediately available for unanticipated expenditures. The Budget Analyst therefore recommends that $4,300,000 of the $6,000,000 Regulatory Fund and City Contingency be reserved.

Attachment 2 includes a total of $3,250,000 for Demolition of the existing San Bruno Jail No. 3. Since demolition of the existing Jail

No. 3 facility will not be performed until the new Jail is completed, the Budget Analyst recommends that all of the $3,250,000 for demolition be reserved.

Attachment 2 includes $250,000 for anticipated City Attorney costs during the construction period. As of the writing of this report, the City Attorney's Office is unable to provide an estimate of such future costs and the Budget Analyst recommends that the $250,000 for City Attorney expenditures be placed on reserve.

Lastly, Attachment 2 includes Sheriffs Department costs of $250,000. Attachment 5, provided by Ms. Jean Mariani of the Sheriffs Department, provides a detailed estimate of the Sheriffs estimated total project related costs of $1,562,107, including $270,959 for FY 2000-2001. According to Mr. Cheng, the Sheriffs Department's project costs in excess of $250,000 will be paid from the Regulatory Fund and City Contingency set aside of $6,000,000.

The Budget Analyst notes that the Sheriffs estimated cost of $270,959 for FY 2000-01 shown in Attachment 5 includes nine months funding for project related security that will not be required until actual construction begins in approximately April of 2001 and a lump sum amount of $40,000 for preparation of a Emergency Response Plan for the new jail facility that will not be required until the new jail is completed. Therefore, the Budget Analyst recommends that the $250,000 for the Sheriffs project related costs be reduced by $42,000 to $208,000, representing anticipated costs for FY 2000-01, that the $42,000 be placed on reserve. The Budget Analyst further recommends that the Sheriff include future requests for project funding from reserved project funds in their annual budgets during the term of the Jail No. 3 Replacement Project. Therefore, the Budget Analyst recommends total reserves of $7,842,000.

2. As explained above, the amount specified in the proposed appropriation ordinance for Cost of Issuance should be amended to reduce such expenditures by $3,385 from $2,635,845 to $2,632,460.

3. As explained above, the City Attorney cost reimbursement amount specified in the proposed appropriation ordinance should be amended to increase such expenditures by $8,806 from $606,694 to $615,500. Further, the contingency amount in the proposed appropriation ordinance should be reduced by $5,421 from $7,944 to

$2,523 in order to reconcile to the total appropriation of $151,241,017.

4. A total of $7,842,000 of the $17,200,582 in City project related costs should be placed on reserve as explained in Comment 4, above. The amounts to be reserved should be as follows:

Item	Reserve Amount
$6,000,000 Regulatory and City Contingency	$4,300,000
$3,250,000 for Demolition of old Jail No. 3	3,250,000
$250,000 for City Attorney Costs	250,000
$250,000 for Sheriff's Costs *	42,000
Total	$7,842,000

* Future project expenditures for the Sheriff should be annually appropriated in the Sheriff's budget using the project Regulatory and City Contingency as a source of funds.

Recommendations: 1. Amend the proposed appropriation ordinance to reduce the Cost of Issuance by $3,385 from $2,635,845 to $2,632,460 as explained in Comment 2, above.

2. Increase the City Attorney cost reimbursement amount by $8,806 from $606,694 to $615,500 and reduce the contingency amount in the proposed appropriation ordinance by $5,421 from $7,944 to $2,523 as explained in Comment 3, above.

3. Reserve $7,842,000 of the $17,200,582 in City project related costs as explained in Comment 4, above.

4. Approve the proposed appropriation ordinance as amended.

Attachment No. 1

San Bruno County Jail #3 - Construction Budget

Description	Budget
A. Subcontractors	
Division 1 - General Conditions	220,004
Division 2 - Site work	8,149,944
Division 3 Foundations	11,486,113
Division 4 - Masonry	4,166,071
Division 5 - Metals	3,718,677
Division 6 - Wood & plastic	1,299,779
Division 7 - Thermo/Moisture Protection	1,983,991
Division 8 - Doors & windows	8,644,106
Division 9 - Finishes	4,239,384
Division 10 - Specialties	1,559,363
Division 11 - Equipment	2,058,552
Division 12 - Furnishings	0
Division 13 - Special Construction	5,349,968
Division 14 - Conveying systems	1,274,517
Division 15 - Mechanical	14,846,990
Division 16 - Electrical	13,664,574
Subcontractor Bonds	826,619
Total Subcontractors Cost	*$83,488,652*
B. Contingency	
Bid Contingency	4,012,500
Developer's Contingency	4,012,500
Total Contingency	*$8,025,000*
C. Permits/Tax	
Permits	525,000
Gross Receipt Tax	350,000
Total Permits/Tax Cost	*$875,000*
D. Bonds/Insurance	
Bond	1,050,000
Builders Risk Insurance	222,348
Professional Liability Insurance	199,500
General Liability	1,039,500
Pre-construction Costs	500,000
Total Bonds/Insurance Cost	*$3,011,348*
*E. Design**	
KMD Design	7,200,000
Total Design Cost	*$7,200,000*
*F. MDI**	
General Conditions/Fee	12,400,000
Total MDI Cost	*$12,400,000*
Total Contract Cost	*$115,000,000*

** Total design cost & MDI GC/Fee is 21.21% of actual subcontractors cost. The developer will not be entitled to any design & MDI GC/Fee (21.21%) on the developer's contingency work, permits/tax and bonds/insurance. Final design cost & MDI GC/Fee will be adjusted when the total subcontract costs are finalized as per contract documents.*

San Bruno Jail Replacement - City Costs

1 *Peer Review (Estimated):* Provide design review during planning/design phase to insure compliance with program requirements. This task will be performed by consultants with expertise in prison design. *$500,000*

Beverly Prior Architects and their subconsultants was the team that assisted DPW and SFSD in the development of the request for proposal, programing and design criteria for this project. We intend to retain their services to provide the peer review during the planning, design and construction phases because of their familarity and their knowledge relative to this project. Their proposal for providing the peer review services will be faxed to you.

2 *Testing, Inspection & Contract Administration:*

Materials Testing (Estimated): Provide testing of materials such as soils, concrete, reinforcing steel, welding and other testing specified in the contract. *$350,000*

		Cost/Hour	# of Hrs	Subtotal
5206	Associate Engineer	90.75	40	3,630
6318	Construction Inspector	85.30	510	43,503
5305	Materials Testing Tech	62.30	4,340	270,382
Consult	Welding Inspection	L/S	-	32,485

Inspection: Provide inspection and construction administration services to insure work is in compliance with contract documents. *$3,769,219*

	Class	Cost/Hour	# of Hrs	Subtotal
5208	Civil Engineer	105.05	6,500	682,825
5206	Associate Engineer	90.75	6,000	544,500
5204	Assistant Engineer	77.55	5,000	387,750
5238	Assoc. Elect. Engr	90.75	3,500	317,625
5254	Assoc. Mech. Engr	90.75	3,500	317,625
5268	Architect	106.70	4,000	426,800
6348	Electrical Inspector	96.11	3,750	360,422
6342	Plumbing Inspector	96.11	3,750	360,422
1446	Secretary II	59.40	6,250	371,250

3 *Site Hazardous Materials Mitigation & Environmental Issues Monitoring:* *$500,000*

	Class	Cost/Hour	# of Hrs	Subtotal
9398	Division Manager	94.92	84	7,973
2478	Section Manager	90.48	200	18,096
6318	Construction Inspector	85.30	1,924	164,117
6137	Industrial Hygienist	72.42	1,068	77,345
Consult & Lab Costs (Pre-constr.)		L/S	-	97,500
Consult & Lab Costs (Construction)		L/S	-	135,000

4 *Project Management:* Provide project management and technical support services to insure project is completed on schedule and within budget. *$1,831,363*

	Class	Cost/Hour	# of Hrs	Subtotal
5508	Project Manager IV	152.90	7,000	1,070,300
5504	Project Manager II	112.75	6,750	761,063

5	*Construction Management - as needed scheduling & estimating:*				*$500,000*
	Class	Cost/Hour	# of Hrs	Subtotal	
5208	Civil Engineer - Scheduling	105.05	1,440	151,272	
5206	Assoc Engineer - Estimating	90.75	1,915	173,786	
5204	Assist Engineer - Estimating	77.55	2,255	174,875	

6 *Regulatory fund & City Contingency:* *$6,000,000*

The additional contingency funds are required for potential hazardous materials and environmental mitigation measures. Hazardous materials and environmental mitigations are not included in the scope of work under the contract with the developer, Morse Diesel International (MDI) and it is the responsibility of the City.

Although DPW and MDI purposely revised the design of the new facility to avoid the wetlands and the frog pond located adjacent to the project site, however the developer will still be working in and around the wetlands and the frog pond area. DPW is currently negotiating with the Army Corp of Engineers and the Department of Fish, Wildlife and Games to obtain the necessary permits for the City to go forward with the project. This contingency fund release request is to cover the anticipated costs of the mitigation measures mandated by the permitting agencies.

In addition, based on our preliminary findings, there are imported fills and debris deposits at various locations within the project site. These fills and other deposits could potentially contain hazardous or contaminated materials. This contingency fund release request is also to cover the costs of potential hazardous material mitigation measures.

Since this is a design/build project, it is anticipated that the developer will commence with actual construction approximately six months after the "Notice to Proceed". Therefore, we need a portion of the contingency funds to be available in order to address these potential issues expeditiously to avoid delays to the project.

DPW requests the release of $1,700,000 of the $6,000,000 Regulatory and Contingency Reserve.

7	*Demolition (Reserve):*		*$3,250,000*
	Hazardous Materials Mitigation (Estimated)	1,750,000	
	Demo Existing County Jail	1,500,000	
8	*Other City Departments:*		*$500,000*
	City Attorney's Office	250,000	
	Sheriff's Department	250,000	
	Total		***$17,200,581***

City & County of San Francisco *9/14/00*
Certificates of Participation (San Bruno Jail Replacement Project)

Estimated Costs of Issuance

		Estimate	Fee Basis	Hourly Rate	# of Hours	Total
BOND INSURER (AMBAC ASSURANCE)						
Debt service payment insurance	$	1,085,442	Actual Fee			
Reserve fund surety policy	$	249,138	Actual Fee			
UNDERWRITER'S DISCOUNT	$	897,516				
Lehman Brothers						
Redwood Securities						
EJ de la Rosa						
Salomon Smith Barney						
Chapman & Company						
FINANCIAL ADVISOR FEES	$	75,000	Maximum Fee Amount			
CO FINANCIAL ADVISORS		1,000	Out-of-Pocket			
Stephens, McCarthy, Kuenzel & Caldwell				$ 195.00	385	$ 75,075.00
BOND COUNSEL FEES	$	72,500	Flat Fee Contingent			
CO BOND COUNSELS			Upon Issuance of Bonds			
Jones Hall Hill & White			49,500			
Law Offices of Lisa Quateman			28,000			
Fees		5,000	77,500			
RATING AGENCY FEES	$	76,000	Actual Fee (estimated $76,000)			
Standard & Poors				est:	$ 30,000	$ 32,936
Moodys						$ 36,000
Fitch						$ 10,000
PRINTING	$	30,000	Actual Fee (estimated $30,000)			
Printing of Preliminary Official Statement and Official Statements (POS/OS)						
ADVERTISING	$	-				
TRUSTEE	$	4,500				
Wells Fargo Bank						
APPRAISAL & SITE ASSESSMENT	$	-				
PROPERTY INSURANCE	$	19,000	Fee from 8/31/00 to 5/1/01			
TITLE INSURANCE	$	111,500	Actual Fee (estimated $111,150)			
CONTINGENCY	$	5,865				
TOTAL COST OF ISSUANCE	$	2,632,460.00				

MOPF

Attachment 4

City Attorney Costs

		FY 1996-1997			FY 1997-1998			FY 1998-1999			FY 1999-2000			7/1/00 to 9/8/00			Totals to Date	
		Hrs	Rate	Amount	Hrs	Rate	Amount	Hrs	Rate	Amount	Hrs	Rate	Amount	Hrs	Rate	Amount	Hrs	Amount
Financing																		
8183	Asst Chief Atty II	36	$142	$5,039	74	$145	$10,675	9	$154	$1,305	4	$164	$655	0	$165	$41		
8181	Asst Chief Atty I							0	$149	$37				1	$158	$118		
8182	Head Atty	180	$128	$22,969	53	$134	$7,051											
8180	Principal Atty	15	$129	$1,872	69	$131	$9,064	283	$140	$39,588	398	$148	$58,885	121	$148	$17,890		
8178	Senior Atty	52	$112	$5,846	355	$120	$42,533	308	$127	$39,089	115	$135	$15,607	15	$135	$2,065		
8176	Trial Atty	59	$101	$5,978	3	$111	$277	127	$117	$14,919	226	$125	$28,264	117	$125	$14,645		
8174	Atty										9	$110	$931					
STD	Intern	10	$9	$85														
	Time	351		$41,789	553		$69,600	726		$94,937	751		$104,142	255	$137	$34,760		
	Costs			$46			$21			$1,030								
	Totals	351		$41,835	553		$69,621	726		$95,966	751		$131,465	255		$54,119	2,636	$346,325
Design																		
8184	Chief Atty II							6	$157	$861	33	$165	$5,358					
8183	Asst Chief Atty II	8	$142	$1,135	58	$145	$8,323	78	$154	$11,901	157	$162	$25,431					
8180	Principal Atty	47	$120	$5,671	352	$129	$45,245	211	$140	$29,445	433	$148	$63,956	35	$148	$5,091		
8176	Trial Atty	7	$109	$763														
STD	Intern	5	$9	$40														
	Time	67		$7,609	409		$53,568	294		$42,207	623		$94,745	35		$5,091		
	Costs									$30			$37					
	Totals	67		$7,609	409		$53,568	294		$42,237	623		$94,782	35		$5,091	1,427	$203,287
Environmental Review																		
8184	Chief Atty II							1	$157	$157								
8182	Head Atty	2	$112	$223	87	$137	$11,968	157	$145	$22,801	70	$153	$10,740	1	$153	$153		
8180	Principal Atty	1	$129	$65	5	$120	$539											
8176	Trial Atty	46	$101	$4,661	76	$105	$7,917	1	$117	$87	2	$133	$267					
8174	Atty										3	$116	$320					
STD	Intern				9	$9	$72											
	Totals	49		$4,948	176		$20,498	159		$23,045	75		$11,327	1		$153	459	$59,970
	Grand Total																4,522	$609,582

Sheriff's Department Costs	pp	26	2000-01	2001-02	2002-03	2003-04	2004-05	Totals
			Fiscal Year					
Project Management (50%)	8310 Lieutenant	2,933	$ 29,330	$ 40,035	$ 42,037	$ 44,139	$ 46,346	$ 201,888
Project Coordination & Review	5502 Project Mgr II	3,055	61,100	83,402	87,572	91,950	96,548	420,571
Security - alternate site entrance	8304 Deputy Sheriff	2,094	41,880	57,166	60,025	63,026	66,177	288,273
Clerical Support	8274 Cadet	1,056	21,120	28,829	30,270	31,784	33,373	145,376
Overtime	Various-400 hours		15,000	21,000	22,050	23,153	24,310	105,513
Emergency Response Plan	Various-800 hours		40,000					40,000
Subtotal Salaries			208,430	230,432	241,954	254,051	266,754	1,201,621
Related Fringe Benefits	30%		62,529	69,130	72,586	76,215	80,026	360,486
Total			$ 270,959	$ 299,562	$ 314,540	$ 330,267	$ 346,780	$ 1,562,107

Item 3 – File 00-1356

Department: Department of Human Resources (DHR)
Fire Department

Item: Ordinance implementing a Memorandum of Understanding (MOU) between the Municipal Executives' Association (MEA) and the City for Bargaining Unit F3, for the two-year period retroactively from July 1, 1999 through June 30, 2001.

Description: The proposed ordinance would approve a Memorandum of Understanding (MOU) between the Municipal Executives' Association (MEA) and the City for Bargaining Unit F3. Bargaining Unit F3 covers the following uniform exempt management classifications in the Fire Department, comprising a total of 9 employees:

Position	Number of Employees
0140 Chief of Fire Department	1
0150 Deputy Chief of Department	2
H-51 Assistant Deputy Chief II	5
H-53 Emergency Medical Services Chief	1
Total	9

The previous MOU with MEA for Bargaining Unit F3 went into effect July 1, 1992 and expired June 30, 1999. The proposed MOU would be effective retroactively to July 1, 1999 and expire on June 30, 2001 (See Comments Nos. 2 and 3). The major changes in the proposed MOU from the prior MOU with Bargaining Unit F3 include the following:

- Work Schedules

  The subject MOU maintains from the prior MOU the regular work day of 8 hours (within a 24-hour period), and a work week of five days (within a 7-day period), for a total work week of 40 hours, for covered employees *not* assigned to fire suppression.

  For covered employees who are assigned to fire suppression, the subject MOU specifies that employees

classified as H-51 Assistant Deputy Chief II and H-53 Emergency Medical Service Chief, a regular work day consists of a 24-hour shift and regular work week consists of 48-hour average work week, on an alternating three shift schedule and a 21-day tour of duty. This schedule for fire suppression staff is consistent with current practices. According to Ms. Debra Ward of the Fire Department, none of the nine permanent employees covered by the subject MOU are currently assigned to 24-hour fire suppression shifts.

- Wages
  Effective July 1, 1999, all classifications covered by the subject MOU will receive salary increases of 5.5 percent. Effective July 1, 2000, all covered classifications will receive a salary increase of an additional 5.5 percent, for a total salary increase of 11 percent over the course of the two-year agreement (See Comment No. 2).

  In addition to these salary increases, the H-51 Assistant Deputy Chief II and the H-53 Emergency Medical Services Chief will receive internal salary adjustments intended to provide a minimum 5 percent supervisory pay differential between these two classes over the class H-50 Assistant Chief. Such internal salary adjustments will include one percent, effective July 1, 1999, and an additional 4 percent, effective July 1, 2000, for a total 5 percent increase over the two-year term of the MOU. This total 5 percent internal salary adjustment would be in addition to the total 11 percent salary increase over the two-year agreement discussed above (see table under Comment No. 5 below for summary).

- Training and Education Achievement Pay
  All four classifications covering nine employees under the subject MOU will receive a additional 3 percent of their base wage, effective July 1, 1999, and an additional 3 percent of their base wage effective July 1, 2000, for a total increase of 6 percent over the two-year agreement, to recognize their advanced training and educational achievement. According to Ms. Alice Villagomez of the Department of Human Resources (DHR), this additional pay to recognize training and education is consistent with

other uniform ranks within the Fire Department and the Police Department.

The additional Training and Education Achievement Pay will be considered part of an employee's salary for the purpose of computing retirement benefits and contributions. Under the previous MOU, covered classes did not receive Training and Education Achievement Pay (see Comment No. 4 below).

- <u>Administrative Assignment Pay</u>
  Employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief, who are assigned by the Chief of the Department to a 40-hour work week, will receive additional compensation of $225 biweekly, or approximately $550 per month for Administrative Assignment Pay. This additional compensation would not be included in the calculation of retirement benefits from the Employees Retirement System or any other benefits that are a function of percentage of salary.

  Currently, H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief do not receive any monetary compensation in addition to their salary for their administrative positions. However, H-50 Assistant Chiefs, not covered by the subject bargaining unit or MOU, do receive a compensation of $225 bi-weekly.

  According to Ms. Villagomez, in exchange for this Administrative Assignment Pay, the subject MOU reduces the number of Executive Leave days received by the H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief (see Executive Leave section below).

- <u>Executive Leave</u>
  Employees in classifications 0140 Chief of Fire and 0150 Deputy Chief of Department will continue to receive 5 days of paid Executive Leave per fiscal year. Up to five days of unused Executive Leave may be carried over into the next fiscal year.

Employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief will have their Executive Leave reduced under the subject MOU, from 5 days of paid leave per fiscal year to 2 days of paid leave per fiscal year. Up to 2 days of unused Executive Leave may be carried over into the next fiscal year.

For all employees covered by the subject MOU, Executive leave may only be taken as paid time off and cannot be cashed out at the end of the year or at retirement.

- Compensatory Time Off

  The subject MOU continues with the same Compensatory Time Off policy in effect since July 1, 1996, which prohibits covered employees from earning and accruing compensatory time off. Currently, the City must pay new appointees to the classifications covered by the subject MOU for any compensatory time the employee has accumulated in his or her previous position, at the current rate of pay of their former position. In addition, the subject MOU now provides that if the City determines that it is unable to compensate a new appointee for accrued compensatory time off due to budgetary limitations in a certain fiscal year, the City may postpone paying the new appointee that portion of compensatory time off pay until any succeeding fiscal year. Should the City exercise this option, the new appointee would then be compensated at a later date, at the rate of pay of the employee's former class in effect at the time the employee receives the compensation payment.

- Severance Pay

  Under a new provision, employees covered by the subject MOU are to receive a 30-day notice prior to their final day, if involuntarily removed or released from their positions. If the employee receives less than 30 days notice, the City will pay to the employee for each day not informed short of 30 days.

  In addition, if the City is removing or releasing from employment an employee who has 10 or more years of City Service the employee will also receive one month's severance pay in exchange for a release signed by the employee and the MEA of all claims arising under this

Agreement that the employee or MEA may have against the City. This release would also include a wavier of any rights the employee may have to return to City employment. This release would not affect claims or rights the employee may have independent of the subject agreement, such as those covered by State or Federal law. According to Ms. Villagomez, the employee would have the option of whether or not to sign this release of claims.

If the City returns a represented employee involuntarily to a permanent classification, that employee may elect to separate from the City and receive one month's severance pay in exchange for a release signed by the employee and MEA of any and all claims arising under this Agreement, as discussed above.

According to Ms. Villagomez, the prior MOU with Bargaining Unit F3 did not provide for severance pay. Ms. Villagomez advises that this provision is identical to severance pay provisions for other managers covered under the MEA MOU for miscellaneous employees. Ms. Villagomez advises that the MOU for Police Department management does not contain a provision that addresses severance pay.

- <u>Holiday Premium Pay for Fire Suppression</u>
Effective July 1, 2000, employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief, who are assigned to 24-hour suppression shifts, shall be paid a holiday premium per pay period equal to six percent of their base salary, excluding other premiums. Covered employees who utilize sick pay on any of the days specified as holidays in the MOU will not receive the 6 percent holiday premium in that pay period.

According to Ms. Villagomez, the Holiday Pay provided to covered employees in the proposed MOU is the same Holiday Pay provided to other uniform personnel assigned to suppression.

According to Ms. Villagomez, the additional Holiday Pay will be considered part of an employee's salary for the purpose of computing retirement benefits and

contributions, to the same extent such payments are considered for other ranks in the Fire Department.

Employees covered by the subject MOU who are assigned to 8-hour shifts, rather than 24-hour fire suppression shifts, do not have to work on holidays and do not receive Holiday Pay.

- Wellness Program
  The Wellness Program, already provided to other uniform ranks in the Fire Department, will be extended to Bargaining Unit F3. However, the Wellness Program for Bargaining Unit F3 differs in two principal ways: (1) the Program requires a higher number of accrued hours in the core sick leave bank (600 rather than the 360 required for Firefighters); and, (2) the Program sets a group eligibility maximum cap for all covered employees for sick leave usage. Therefore, once a core account of 600 hours of sick leave has been accrued for each covered employee, suppression employees can cash out 60 hours and non-suppression employees can cash out 50 hours of sick leave hours under the following conditions:

  Suppression Members (those working 24-hour shifts): If the average annual sick leave for all Suppression Members in Bargaining Unit F3 is not more than three 12-hour watches (36 hours) in a fiscal year, and if an individual uses 36 hours or less of sick leave in a fiscal year, then he or she will be entitled to cash out a total of 60 hours of accrued sick leave during that same fiscal year.

  Non-Suppression Members (those working a 40-hour work week): If the average annual sick leave for all Non-Suppression Members in Bargaining Unit F3 is not more than 24 hours in a fiscal year, and if an individual uses 24 hours or less of sick leave in a fiscal year, then he or she will be entitled to cash out a total of 50 hours of accrued sick leave during that same fiscal year.

Previously, there was no provision for cashing out sick leave hours. Ms. Villagomez advises that employees can accumulate up to 6 months of sick leave, as set forth

under the sick leave provisions of the Civil Service Rules. According to Ms. Villagomez, the MOU covering Police Department management contains a similar Wellness Program, however, the Police Department program has fewer requirements on the accrual of sick leave hours.

- Health Benefits
  The proposed MOU will provide full medical premium coverage for employees with no dependents and up to $225 or 75 percent of the cost of Kaiser's Medical premium costs, whichever is greater, for each employee plus two dependents. The Department of Human Resources estimates that as of July 1, 1999, this provision will result in an increase of $23 per month per employee dependent, since previously, the MOUs provided that the City contributed a flat $225 per month towards dependent health coverage. In addition, except for unpaid Family Care Leave, the City will cease to pay for health coverage after 12 weeks of unpaid leave status.

  Under the subject MOU, the City will cease payments for any and all contributions for employees' health and dental benefits for employees who remain on unpaid status, with the exception of approved sick leave, workers' compensation, Family Medical Leave Act leave or California Family Rights Act leave. According to Ms. Villagomez, the health benefits provided in the subject MOU are consistent with those provided to Police Department management.

- Health and Safety
  Voluntary prostrate and breast cancer screening would be offered and paid for by the Fire Department to covered employees over 40 years of age through the Department's Health Check Program. Confidentiality of all medical information will be maintained. Previously, no such screening program existed in the MOU. This benefit is consistent with the voluntary prostate and breast cancer screening provided to other uniform employees in the Fire Department. According to Ms. Villagomez, Police Department management has different physical fitness and wellness programs.

- **Retirement Benefits**
  The City will continue to pay for the entire employee's share of retirement contributions to the Employee Retirement System, in addition to the amounts the Charter requires the City to contribute. According to Ms. Villagomez, the contributions for retirement provided in the subject MOU are consistent with those provided to Police Department management.

Comments:

1. The proposed ordinance would be effective beginning July 1, 1999 through June 30, 2001.

2. According to Ms. Villagomez, the City began negotiating with the MEA over the subject MOU in February of 1999 and came to an agreement in July of 2000, 12 months after the prior MOU expired on June 30, 1999. Mr. Villagomez advises that since the subject MOU was to go into effect on July 1, 1999, covered employees will be paid retroactively for all pay increases under the subject MOU once the MOU has been approved by the Board of Supervisors and the Mayor. Covered employees have been serving under the terms of the previous MOU since the MOU expired on June 30, 1999.

3. As stated previously, the subject MOU goes into effect on July 1, 1999 and expires June 30, 2001. Ms. Villagomez reports that the proposed MOU would extend for two years, instead of the six-year term of the previous MOU with MEA Bargaining Unit F3, to coincide with the expiration of the two other major public safety employee MOUs (i.e., the Police and Sheriff Departments), as well as expiration of the MOUs covering other uniform ranks at the Fire Department, all of which extend through June 30, 2001.

4. The Budget Analyst notes that tbe Training and Education Achievement Pay, which would provide a three percent increase of base pay as of July 1, 1999 and another three percent increase, for a total of six percent, as of July 1, 2000, results in an increase at an accelerating rate, since such premiums will be based on a percentage of salaries rather than a fixed amount. Under the previous MOU, covered classes did not receive

Training and Education Achievement Pay. Furthermore, including such Pay Premiums in computing retirement benefits will further increase the Fire Department's retirement costs for the City. Ms. Villagomez reports that such policies are comparable to those included in the current Police Officers Association MOU and MEA Police MOU.

5. In summary, the proposed MOU with MEA Bargaining Unit F3 covers nine uniform exempt management positions at the Fire Department in four different classifications: (1) 0140 Chief of Fire, (2) 0150 Deputy Chief of Fire Department, (3) H-51 Assistant Deputy Chief II, and, (4) H-53 Emergency Medical Services Chief. Under the proposed MOU, these four classifications and nine positions will receive: (1) two additional salary increases of 5.5 percent each on July 1, 1999 and July 1, 2000, for a total increase of 11 percent; (2) two pay increases for Training and Education Achievement Pay of 3 percent each on July 1, 1999 and July 1, 2000, for a total increase of 6 percent, (3) therefore providing a total compounded salary increase of 17.7 percent over the two-year MOU period. (See table below for summary). The full amount of this increase in base salary will be used to compute retirement benefits for employees.

In addition, classes H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief will receive internal salary adjustments of one percent on July 1, 1999 and 4 percent on July 1, 2000, for a total 5 percent increase over the two-year term of the MOU. As shown in the table below, when these internal salary adjustments are added to the salary increases discussed above, the H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief will receive a total salary increase of 9.5 percent on July 1, 1999 and an additional 12.5 percent on July 1, 2000, for a total compounded increase of 23.2 percent over the two-year MOU period.

Pay Increases	FY 1999 Increase	FY 2000 Increase	Total Over 2 Years	Compounded Total Over 2 Years
Salary Increase	5.5 %	5.5 %	11%	
Training and Education Achievement Pay	3 %	3 %	6%	
Total Increase for all Covered Employees	8.5%	8.5%	17%	17.7%
Internal Salary Adjustment for Classes H-51 and H-53	1%	4%	5%	
Total Increase for Classes H-51 and H-53	9.5%	12.5%	22%	23.2 %

For example, a 0140 Chief of the Fire Department who earned $151,928 annually as of June 30, 1999 would earn $178,853 annually as of July 1, 2000, an increase of $26,925 or 17.7 percent over the two-years of the MOU period. Another example would be an H-51 Assistant Deputy Chief II who earned $103,930 annually as of June 30, 1999 would earn $128,028 annually as of July 1, 2000, an increase of $24,098 or 23.2 percent over the two-year MOU period.

Employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief, who are assigned by the Chief of the Department to a 40-hour work week, will also receive additional Administrative Pay compensation of $225 biweekly, or approximately $550 per month. This additional compensation will not be included in the calculation of retirement benefits. Effective July 1, 2000, employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief, who are assigned to 24-hour suppression, shall be paid a 6 percent holiday premium per pay period, excluding other premiums, as holiday compensation in lieu of receiving days off on holidays. Since the subject MOU was to go into effect on July 1, 1999, covered employees will be paid retroactively for all pay increases under the subject MOU once the MOU has been approved by the Board of Supervisors and the Mayor.

6. As shown in the Attachment, the Controller's Office estimates the cumulative cost of implementing the proposed MOU to be $422,528 over the two-year period from July 1, 1999 through June 30, 2001. The Budget Analyst notes that the assumptions used by the Controller's Office to estimate the incremental costs of the proposed MOU appear reasonable, although actual costs may vary. As stated in Comment No. 2 above, the proposed MOU will take effect retroactively, beginning July 1, 1999, and therefore, the City will reimburse covered employees for pay increases under the subject MOU, according to Ms. Villagomez. According to Mr. Matthew Hymel of the Controller's Office, the additional costs of the proposed MOU will be funded through the Salary and Benefits Reserve funded in the FY 2000-2001 budget, which presently has a balance of $16,472,036.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Edward Harrington
Controller

Matthew H. Hymel
Chief Assistant Controller

September 12, 2000

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Memorandum of Understanding between Municipal Executives' Association (Fire Chiefs) and the City and County of San Francisco.
File No. 001356

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the Memorandum of Understanding (MOU) between Municipal Executives' Association (MEA) Fire Chiefs and the City and County of San Francisco. The MOU covers the period July 1, 1999 through June 30, 2001, and affects approximately 9 employees with a salary base of approximately $1,087,680.

Based on our analysis, the amendment will result in estimated incremental costs of approximately $108,062 in FY 1999-2000, and $314,466 in FY 2000-2001. Including wage-related fringe benefits, the amendment will result in a cost increase above the base salary amount of approximately 10% in FY 1999-2000 and 18% in FY 2000-2001. Since we are in FY 2000-01, the 1999-2000 cost will be paid as a retroactive payment. Please see Attachment A for specific cost estimates.

If you have any additional questions or concerns please contact me at 554-7500 or Peg Stevenson of my staff at 554-7522.

Sincerely,

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A
Fire Chiefs Locals 352
Estimated Costs 1999-2000 to 2001
Controller's Office

Annual Incremental Costs/(Savings)	FY 1999-2000	FY 2000-2001
Unitwide Provisions:		
Wage Increase		
5.5% on July 1, 1999	$59,822	
5.5% on July 1, 2000		$63,113
Wellness Program		13,197
Training and Education Achievement Pay		
3% on July 1, 1999	32,830	
Additional 3% on July 1, 2000 (1)		34,425
Dependent Health Care		3,888
Class-Specific Provisions:		
Internal Salary Adjustments		
Assistant Deputy Chief II and Emergency Medical Services Chief 1% July 1, 1999	$6,577	
Assistant Deputy Chief II and Emergency Medical Services Chief 4% July 1, 2000		$27,757
Administrative Assignment Pay		
Assistant Deputy Chief II and Emergency Medical Services Chief		
Compensation of $225 biweekly		35,100
Reduction of Executive Leave from 5 days to 2 days		(7,589)
Holiday Premium Pay for Fire Suppression		
6% on July 1, 2000		19,732
Wage-Related Fringe Increases	9,032	18,782
Total Estimated Incremental Costs	108,062	208,404
Annual Amount Above 1998-1999 Level	108,062	314,466
Cumulative Total Above 1998-1999 Provisions		$422,528
Incremental Cost % of Salary Base	9.94%	17.99%

(1) The language regarding training and educational achievement pay was unclear in the City and Union contract. Our cost estimate is based on the Employee Relations Division's (ERD) position that the intent and implementation of the provision would be a 3% increase both years of the contract.

Item 4 - File 00-1191

Note: File No. 00-1191 is a request for Board of Supervisors approval to issue up to $1,000,000,000 in Airport Revenue Bonds to fund infrastructure improvements at the Airport. The Airport will introduce an Amendment of the Whole to the subject resolution, requesting approval to issue up to $671,165,000 in Airport Revenue Bonds to fund such improvements. This report is based on the Amendment of the Whole.

Department: Airport

Item: Resolution (a) approving the issuance of up to $671,165,000 additional aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing or refinancing certain infrastructure improvements at San Francisco International Airport; (b) approving the issuance of Airport Commission Debt Obligations pursuant to the Internal Revenue Code; (c) approving the Ninth Supplemental Resolution of the Airport Commission; and (d) approving certain related contracts.

Amount: Not to exceed $671,165,000

Source of Funds: San Francisco International Airport Second Series Revenue Bonds

Description: The proposed resolution, as amended, would (a) approve a $671,165,000 increase in the authorized amount of Airport Second Series Revenue Bonds, for a total amount of $1,056,165,000, ($385,000,000 previously approved by the Board of Supervisors[1] plus $671,165,000); and (b) authorize the Airport to substitute one or more surety policies (bond insurance policies) in place of cash balances currently on deposit in bond reserve accounts, thereby freeing up cash to be used for the proposed Airport capital projects.

[1] The Board of Supervisors approved issuance of $220,000,000 in revenue bonds in June of 1997 (file no. 170-97-6) and $165,000,000 in March of 1999 (file no. 99-0206). In addition to the $1,056,165,000 in Second Series Revenue Bonds ($385,000,000 in previously issued bonds, plus $671,165,000 which is the subject of this resolution), which will be used for Airport infrastructure projects, the Board of Supervisors has approved $2.85 billion in bonds for the Airport's Master Plan construction projects.

Section 4.115 of the Charter grants the Airport Commission (the "Airport") the authority to issue revenue bonds for Airport-related purposes, subject to the approval of the Board of Supervisors. Section 2.62 of the Administrative Code provides that such revenue bonds shall bear an interest rate not to exceed that rate which may be set by the Airport, subject to the approval of the Board of Supervisors.

Comments:

1. The proposed $671,165,000 in new revenue bonds would be used to finance Airport capital improvement projects other than near-term Master Plan Projects and to pay the costs of issuance, including redemption premiums, and other related costs. The Airport Commission has approved overall project costs in the amount of $621,120,062 for repair and improvement of Airport infrastructure. As noted in Attachment I, provided by the Airport, total costs are expected to be $779,468,000, which includes project costs ($621,120,062), capitalized interest on the bonds which are issued ($93,248,000), debt service reserve ($55,032,000) and debt issuance costs ($10,067,938). Sources of funding totaling $779,468,000 include Airport Revenue Bond proceeds requested by this resolution ($671,165,000), projected interest earnings on the bond proceeds ($30,303,000), and proceeds from the sale of Airport commercial paper and variable rate demand notes ($78,000,000). According to Mr. Marcus Perro of the Airport, the Airport would repay $78,000,000 in commercial paper and variable rate demand notes through Airport operating revenues or through refunding of the commercial paper and variable rate demand notes into long-term debt[2].

2. Attachment II, provided by the Airport, contains the list of proposed capital improvement projects. The planned capital improvement projects total $621,120,062 and include (a) "Master Plan Phase B" projects, which are

[2] On July 20, 1998, the Board of Supervisors approved a total of $1.4 billion in Refunding Bonds through December 31, 2001 (Resolution 583-98) of which $400,000,000 was in connection with the Airport's Commercial Paper Program. In March of 1999 the Board of Supervisors authorized the extension of the issuance of such Refunding Bonds for 16 months, from December 31, 2001 through April 30, 2003 (File 99-0206). According to Mr. Perro, authority to refund $78,000,000 in commercial paper is included in that authorization.

a group of projects approved in 1992 as part of the ongoing near-term Master Plan Construction Program; (b) airfield improvements; (c) environmental projects, such as San Francisco Bay wetlands creation and mitigation projects[3] and hazardous waste disposal and remediation; (d) revenue maintenance and generation projects, such as the expansion of space currently occupied by the Crab Pot restaurant and the Book, Inc. store in the North Terminal, development of a new vehicle parking lot, and modifications for a new ground transportation center located inside the terminal garage; (e) safety and security improvements, such as American with Disabilities Act (ADA) accommodations and fire protection projects; (f) service improvements, such as escalator and utilities upgrades; and (g) master plan activation projects, such as design and implementation of a fiber optic telecommunications transmission system for the new International Terminal Complex, and Airport tenant utilities and infrastructure projects. According to the Airport, the Airport will submit a supplemental appropriation request to expend the bond proceeds on the above projects.

The capital projects to be financed by the subject revenue bonds were reviewed and recommended by the Capital Improvement Advisory Committee (CIAC) on August 29, 2000.

3. The Airport has proposed a maximum interest rate of 12 percent in accordance with State bond regulations. Such bonds would be exempt from Federal income tax in accordance with the Federal Internal Revenue Code. Additionally, the Airport has set a maximum interest rate of 15 percent on any revenue bonds which are not deemed to be exempt from Federal income tax. The subject bonds would qualify for tax-exempt status under the Internal Revenue Code if the bonds are issued by or on behalf of a governmental entity. However, if the bonds substantially benefit private business, they are not eligible for tax-exempt status. The interest rate of 15 percent for tax-eligible bonds provides for the higher interest cost of such

[3] Wetlands creation and enhancement are part of a plan to mitigate loss of wetlands acreage due to Master Plan projects and airfield safety improvements at the Airport.

bonds. Mr. Perro states that the subject bonds would be tax-exempt.

4. Mr. Perro advises that the total debt service for the additional $671,165,000 in Airport Infrastructure Bonds over a 30-year period would be approximately $1,625,349,895, based on an estimated interest rate of 6.5 percent. The average annual debt service would be $54,330,927 and total interest payments over 30 years would be $954,184,895.[4] According to Mr. Perro, the actual interest rate on the Airport's outstanding debt is currently 5.64 percent. As noted in Attachment I, the estimated interest rates at which the bonds would be sold would range from 6.5 percent to 7.5 percent.

5. According to Mr. Perro, financing costs, which can not exceed 2 percent of the bond issue in accordance with the Internal Revenue Code, would be no greater than $13,423,300. Financing costs include the cost of issuance, such as bond rating agency fees, printing, consultant fees, underwriter's discount, and bond counsel fees.

6. Mr. Perro states that debt service costs would be paid through an increase in Airline landing fees and terminal rent payments. According to Mr. Perro, the projected Airline cost per enplanement[5] through 2006 is $14.04 per enplanement. Mr. Perro advises that debt service costs for $671,165,000 in Airport Revenue Bonds would increase the Airline cost per enplanement by $0.65, or 4.63 percent, to $14.69 per enplanement.

7. Approval of the proposed resolution would authorize the Airport to substitute one or more surety policies for cash amounts currently on deposit in bond reserve accounts, making cash now held in reserve available to be used for the proposed Airport capital projects. According to Mr. Perro, the reserve for Airport revenue bonds is currently $267,466,763, of which $186,366,763 is cash and

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[4] The total debt service amount of $1,625,349,895 over a 30 year period is based upon principal and interest payments for bond proceeds in the amount of $671,165,000. Total interest payments in the amount of $954,184,895 reflect the different amounts and date of issuance of the three bond issues and the different interest rates for each issue. The annual debt service amount of $54,330,927 is an adjusted average for the three separate issues of the subject revenue bonds.

[5] Enplanement is defined as one passenger embarking on an airplane.

permitted investments. Mr. Perro states that, upon issuance of an additional $671,165,000 in Airport revenue bonds, the Airport would be required to place an additional $55,032,000 in reserve[6]. Mr. Perro advises that the Airport has not yet determined what amount of cash reserves would be replaced by the surety policies. However, Mr. Perro states that the Airport "anticipates replacing all outstanding cash-funded reserves with surety policies if the Airport financial advisors determine it to be economically advantageous based on the cost of the surety policies versus interest earnings on the cash funded reserve." According to Mr. Perro, the Airport has not yet determined the cost of the surety policy or what interest earnings would be foregone by removing cash from the reserves. Mr. Perro states that a Request for Proposal would be issued and a financial agent would be selected based on the bid which represents the lowest cost to the Airport. According to Mr. Perro, such cost would range from a low of 1.25 percent to a high of 4.0 percent of the reserve amount covered by the surety policy.

8. Mr. Perro states that the Airport will issue the bonds totaling $671,165,000 in three installments: approximately $272,547,000 in December of 2000[7], approximately $197,539,000 in the Summer of 2001, and approximately $201,079,000 in the Winter of 2001. The Airport must submit a supplemental appropriation request to the Board of Supervisors to expend bond proceeds. Attachment III is a list of the proposed projects which will be funded by the proceeds from the first issue of Airport Revenue bonds. According to the Airport, construction on these projects is expected to begin in early 2001.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

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[6] According to Mr. Perro, the required reserve amount is equal to the maximum annual debt service cost for all Airport revenue bonds and that the issuance of $671,165,000 in additional revenue bonds would result in maximum estimated annual debt service of $55,032,000. Therefore, the required reserve amount would increase by $55,032,000, for a total amount of $322,498,673.

[7] The issue of bonds in the approximate amount of $272,547,000 includes $249,477,103 in project costs plus an additional estimated $23,069,897 in capitalized interest, debt service costs, and issuance costs.

Attachment 1

Project Sources and Uses

Sources:		
	GARB Proceeds (a)	$671,165,000
	Interest Earnings (b)	30,303,000
	Commercial Paper/VRDNS (c)	78,000,000
		$779,468,000
Uses:		
	Project Costs	$621,120,062
	Capitalized Interest (d)	93,248,000
	Debt Service Reserve	55,032,000
	Issuance Costs (e)	10,067,938
		$779,468,000

(a) Assuming all-in true interest cost rates (by bond issue) as follows:

December 2000	6.5%
Summer 2001	7.0%
Winter 2001	7.5%

(b) On the Construction Fund and capitalized interest. Assuming interest rate of 5.5% per year.

(c) Assuming financing rate (including remarketing and LOC provider) of 4.58%.

(d) Assuming interest is capitalized 2 years per issue.

(e) Assuming costs of issuance of 1.5% per issue.

For detailed budget, see Ninth Supplemental Project Description attachment.

				Project Cost
San Francisco International Airport				
Projects Supporting Amended Ninth Supplemental Resolution				
Plan for the Repair and Improvement of Airport Infrastructure				
	Master Plan, Phase B			
		5450	Central Terminal and Boarding Area D Remodeling	$35,000,000
		TBD	AirTrain Guideway from Lot D to Lot DD	56,500,000
		TBD	Boarding Area B Apron HazMat Site Abatement	22,500,000
		TBD	Boarding Area B HazMat and Demolition	16,300,000
		TBD	Boarding Area B Remodel Design	20,000,000
		TBD	Public Parking Structure on Lot DD - Phase II	45,000,000
		TBD	Truck Cargo Building at North Field	10,000,000
		TBD	Two Stations for AirTrain Extension	7,000,000
		Total Master Plan, Phase B		$212,300,000
	Airfield Improvements			
		1527	Global Positioning System Preparation	$750,000
		1896	Field Lighting Raceway System Improvement	23,099,970
		3107	Runways 28L and 28R EastEnd Hold Apron Widening	10,000,000
		3555	Airfield Low Visibility Improvements	5,526,500
		3570	Taxiway Repair and Construction	3,000,000
		3827	Field Lighting Control System Upgrade	735,000
		4078	Taxiway Repair and Construction	3,000,000
		4237	Airfield Drainage Repairs, Phase B	1,000,000
		5530E	Taxiways A and B Realignment, East Phase	8,500,000
		5531AR	Taxiway H and M Realignment	2,641,781
		Total Airfield Improvements		$58,253,251
	Environmental			
		3301	Chlorofluorocarbon (CFC) Conversion of Central Plant Chiller	$1,251,672
		3307	Hazardous Waste Disposal and Remediation	726,000
		3590	South Detention Pond Improvement	2,839,000
		3799	Sewage Pump Stations Upgrade	736,000
		4034	Solid Waste Compactors and Improvements	435,750
		4111	Airport Drainage System Improvement, Phase B	3,000,000
		4253	HARD Wetland Enhancement Project	1,300,000
		4254	Outer Bair Island	5,625,000
		4255	West of Bayshore Wetland Enhancement Project	500,000
		TBD	Mitigation Requirements	4,469,000
		Total Environmental		$20,882,422
	Revenue Maintenance and Generation			
		3991	North Terminal Secure Concourse, Phase II	$12,000,000
		3996AR	Lot DD Parking Lot Surface Paving	10,000,000
		4079	Terminal Garage GTC Improvement	10,000,000
		6001.1	Site Planning and Traffic Studies for Multi-Modal Center on Lot DD	158,901
		TBD	Automatic Pay Stations	2,000,000
		TBD	Boarding Area D Specialized Equipment from Remodel	25,000,000

			Project Cost
	TBD	Construction of Alternative Point of Entry (APOE) Building No. 2	2,490,000
	TBD	License Plate Imaging System	2,241,000
	TBD	Telecommunications Infrastructure Development - North Terminal Area	1,867,500
	TBD	Telecommunications Infrastructure Development - South Terminal Area	1,867,500
	Total Revenue Maintenance and Generation		$67,624,901
Safety and Security			
	2349	Americans with Disabilities Act (ADA), Phase II	$4,043,000
	2349	Americans with Disabilities Act (ADA), Phase III	6,225,000
	3311C	Airport Perimeter Fence Installation	368,000
	3836	West Field Security Checkpoint	1,500,000
	3869A-F	North Terminal Fire Protection, Mechanical, Lighting and Ceilings	21,000,000
	4064	South McDonnell Road Roadway Lighting	1,000,000
	4073	North Terminal Seismic Retrofit	2,000,000
	4077	South Field Check Point	1,500,000
	4094	Pavement Repair and Construction	1,000,000
	4095	Pavement Repair and Construction	1,000,000
	4098	Concrete Repair and Construction	500,000
	4101	Airport Structures Seismic Improvement, Phase A	10,000,000
	4108	Airport Roadway Resurfacing	4,000,000
	4116	Airport Facilities Fire Protection Improvement	587,045
	4157	North Terminal Natural Gas Houseline Upgrade	316,250
	4319	Boston Whaler -- Quick Response for Water Rescue	120,000
	5903C	South McDonnell Road Realignment	2,500,000
	TBD	Air, Rescue and Fire Fighting (ARFF) Crash and Rescue Vehicle	700,000
	TBD	Airfield Rescue Vehicle	110,000
	TBD	Airport Facilities Fire Protection and Plumbing Improvement	1,000,000
	TBD	Airport Wide EMCS	6,000,000
	TBD	Electrical Recircuiting of Critical Circuits, Terminals	12,450,000
	TBD	Emergency Call Boxes in West Field Garage	62,250
	TBD	Emergency Generators for Airport Computer Rooms, Various Locations	1,245,000
	TBD	Fireboat	500,000
	TBD	New Construction of Emergency Response Facility (ERF) 2 Addition	575,000
	TBD	Oshkosh T-3000 ARFF	490,000
	TBD	Replace Composite Roofs on Elevator Cores and Stairwells	229,200
	Total Safety and Security		$81,020,745
Service Improvements			
	2084	Water Service Improvement - Northeast Field	$919,000
	2360	Electrical Power Distribution System Upgrade	3,675,000
	3463	South Terminal Escalators, Moving Walks and Elevators Upgrade	963,000
	3464	Central Terminal Escalators, Moving Walks and Elevators Upgrade	963,000
	3465	North Terminal Escalators and Moving Walks Upgrade	681,000
	3800	Airport Underground Utilities Repairs	376,000
	3828	Electrical Power Distribution System Upgrade	4,000,000
	3829	Electrical Station BP Upgrade	6,235,000
	3842	North Terminal B/A-E/F and Hub Connector Carpet Replacement	1,700,000
	3851	Central Terminal Construction of New HVAC Facilities	6,000,000
	3872	North Terminal Renovations - Future Improvements	5,000,000

				Project Cost
		3886	Purchase of Asphalt Milling Machine	550,000
		4033	Pavement Repair and Construction (formerly CT 3412)	1,148,000
		4069	Information Kiosks	266,375
		4093	Pavement Repair and Construction (formerly CT 3310)	1,275,000
		4160	North Terminal Dynamic and Static Signage	2,000,000
		4166	North Terminal Mechanical Rooms/Equipment Construction/Retrofit	7,500,000
		4201	West Field Road Improvements	560,000
		4216	As-Needed General Construction	1,867,500
		4219	Install Optical Character Recognition Capability	1,036,420
		4220R	West Field Road (R-6) Electrical Improvements	360,000
		4231	Airfield Drainage Repairs, Phase A	468,000
		TBD	AirTrain System from Lot D to Lot DD	43,000,000
		TBD	Central Garage Public Address System Replacement	249,000
		TBD	Delta Airlines Relocation to Boarding Area D	10,000,000
		TBD	Electrical Construction/Repairs, FY 2002	498,000
		TBD	Install Pneumatic Tube System in Central Garage	400,000
		TBD	Install Public Address System in IT Garages	249,000
		TBD	Install Variable Message Signs (VMS)	154,500
		TBD	Multi-User Flight Information Display	883,000
		TBD	Purchase and Install "Pay-on-Foot" Parking Payment System	1,324,500
		TBD	Purchase of Jet Vactor	300,000
		TBD	Remodel Central Garage Offices	224,100
		TBD	Rental Car Center Service Improvements	17,000,000
		TBD	Replace Garage Level 5 Doors and Install Weather Canopies	199,200
		TBD	Replace/Modernize Static Signage in Central Garage	124,500
		TBD	Telecommunications Construction/Repairs, FY 2001	510,450
		TBD	Telecommunications Construction/Repairs, FY 2002	510,450
		TBD	Tenant Electrical Panelboards	747,000
		TBD	Upgrade Valet Customer Waiting Area in Central Garage	80,190
		Total Service Improvements		$123,997,185
	Facilities Integration			
		4279	Facilities Integration, Signage Transitional Support	$393,750
		4313	Facilities Integration, Airport Informational Mapping System	175,000
		5515C	Facilities Integration, Telecommunications Transmission System	2,900,000
		Various	Facilities Integration, IT Tenant Utilities and Infrastructure	53,572,808
		Total Facilities Integration		$57,041,558
	GRAND TOTAL			**$621,120,062**

San Francisco International Airport
9th Supplemental Appropriation Projects
First Bond Sale

Project	Project Title	First Bond Sale Am
2349	Americans with Disabilities Act (ADA), Phase III	6,225,000
3465	North Terminal Escalators and Moving Walks Upgrade	681,000
3555	Airfield Low Visibility Improvements	5,525,500
3570	Taxiway Repair and Construction	3,000,000
3590	South Detention Pond Improvement	2,839,000
3827	Field Lighting Control System Upgrade	735,000
3842	North Terminal B/A-E/F and Hub Connector Carpet Replac	1,700,000
3872	North Terminal Renovations - Future Improvements	5,000,000
3991	North Terminal Secure Concourse, Phase II	12,000,000
4064	South McDonnell Road Roadway Lighting	1,000,000
4077	South Field Check Point	1,500,000
4079	Terminal Garage GTC Improvement	10,000,000
4094	Pavement Repair and Construction	1,000,000
4108	Airport Roadway Resurfacing	4,000,000
4157	North Terminal Natural Gas Houseline Upgrade	316,250
4160	North Terminal Dynamic and Static Signage	2,000,000
4219	Install Optical Character Recognition Capability	1,036,463
4319	Boston Whaler - Quick Response for Water Rescue	120,000
5450	Central Terminal and Boarding Area D Remodeling	35,000,000
5903C	South McDonnell Road Realignment	2,500,000
TBD	Air, Rescue and Fire Fighting (ARFF) Crash and Rescue Veh	700,000
TBD	Airfield Rescue Vehicle	110,000
TBD	Airport Facilities Fire Protection and Plumbing Improveme	1,000,000
TBD	Airport Wide EMCS	6,000,000
TBD	AirTrain Guideway from Lot D to Lot DD	56,500,000
TBD	AirTrain System from Lot D to Lot DD	43,000,000
TBD	Automatic Pay Stations	2,000,000
TBD	Boarding Area D Specialized Equipment from Remodel	25,000,000
TBD	Central Garage Public Address System Replacement	249,000
TBD	Construction of Alternative Point of Entry (APOE) Building	2,490,000
TBD	Emergency Call Boxes in West Field Garage	62,250
TBD	Emergency Generators for Airport Computer Rooms, Vario	1,245,000
TBD	Install Pneumatic Tube System in Central Garage	400,000
TBD	Install Public Address System in IT Garages	249,000
TBD	Install Variable Message Signs (VMS)	154,500
TBD	License Plate Imaging System	2,241,000
TBD	Multi-User Flight Information Display	883,000
TBD	New Construction of Emergency Response Facility (ERF) 2	575,000
TBD	Purchase and Install "Pay-on-Foot" Parking Payment Syste	1,324,500
TBD	Remodel Central Garage Offices	224,100
TBD	Replace Composite Roofs on Elevator Cores and Stairwells	229,200
TBD	Replace Garage Level 5 Doors and Install Weather Canopie	199,200
TBD	Replace/Modernize Static Signage in Central Garage	124,500
TBD	Telecommunications Construction/Repairs, FY 2001	510,450
TBD	Tenant Electrical Panelboards	747,000
TBD	Two Stations for AirTrain Extension	7,000,000
TBD	Upgrade Valet Customer Waiting Area in Central Garage	80,190
Total		$249,477,103

Items 5 and 6 – Files 00-1265 and 00-1267

Note: These items were continued by the Finance and Labor Committee at its meeting of August 23, 2000. The Transportation and Land Use Committee, at its meeting of August 22, 2000, recommended that File 00-1265 be moved to the full Board of Supervisors for approval.

Departments: Department of Administrative Services, Real Estate Division
Department of City Planning
Mayor's Office of Business and Economic Development
Redevelopment Agency

Item: Item 5, File 00-1265: Resolution affirming the certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Redevelopment Agency Commissions, and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project, and various other actions necessary to implement the project.

Item 6, File 00-1267: Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco and the Redevelopment Agency, under which the City agrees to a pledge by the Redevelopment Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C., a subsidiary of Forest City Enterprises, Inc. in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate in connection with the development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law; making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the

agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Description of the Project:

Emporium Development, L.L.C. (the Developer)[1] has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings (the Project Site Area) as a multi-story, multi-use complex with rerouted portions of Jessie Street on either side of it (the Project). The proposed 1,607,000 gross square foot complex would comprise:

- A shopping galleria (up to approximately 505,000 square feet), anchored by a new Bloomingdale's Department Store (an additional 375,000 square feet), for up to a total of approximately 880,000 square feet.
- Entertainment, restaurant, and cinema space (up to approximately 115,000 square feet).
- Office space (up to approximately 237,000 square feet).
- A hotel tower comprising up to 465 hotel rooms (up to approximately 375,000 square feet).

Construction of the Project is scheduled to take 28 months, commencing in December of 2000 for completion by March of 2003. In addition to the construction of the proposed 1,607,000 square foot complex described above, construction would involve:

- Restoring historically significant portions of the former Emporium Building, which is considered to be a significant building under Objective 12 of the Downtown Plan Element of the General Plan. The proposed Project would preserve the following elements of the Emporium Building: its Market Street façade, much of the front 65 feet of the building (which would require seismic upgrading), the dome, and the rotunda. The remainder of the Emporium Building and other existing structures in the Project Site Area would be demolished.
- Constructing underground links to the Powell Street MUNI and BART station.

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[1] Emporium Development, L.L.C. is a California limited liability company which is ultimately controlled by Forest City Enterprises, Inc., a publicly traded Ohio corporation with assets in excess of $3,500,000,000.

With regard to the hotel component of the Project, according to Mr. Jesse Smith of the City Attorney's Office, the Developer would be required to build a pad for the hotel above the Mission Street retail/entertainment portion of the complex, and to use its best efforts to cause the hotel to be built. According to Mr. Smith and Mr. Kevin Warner of the Redevelopment Agency, the Developer has the following four main options in order to satisfy a condition to closing the combined Owner Participation and Disposition and Development Agreement (OPA/DDA):

(1) It could lease or sell the airspace to a separate hotel developer to construct the hotel (the most likely option)[2]. In this case, the Redevelopment Agency has the right to review the binding agreements between the Developer and the separate hotel developer for consistency with the OPA/DDA as a condition to closing.
(2) The Developer's parent company, Forest City Enterprises, Inc., could establish its own hotel developer subsidiary company to construct the hotel.
(3) The Developer could construct the hotel itself.
(4) The least likely option is that no hotel could be constructed. The last three options would require the Redevelopment Agency's approval before the closing could occur. According to Mr. Smith, under the proposed CEQA findings and assorted expert economic analyses, a reduced development proposal which does not include a hotel is deemed financially infeasible. Furthermore, according to Mr. Smith, the Developer has a significant financial incentive to ensure that the hotel is built because, among other things, if it was not built, the net available Property Tax increment contribution from the Redevelopment Agency would be substantially reduced.

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[2] According to Mr. Warner, it is estimated that the air space lease cost to a separate hotel developer would be either $1,125,000 per year during the Project's construction and $1,600,000 per year after the Project's opening, or a one-time sale price of at least $13,333,333 prior to the end of the development costs determination period (which would provide a minimum 12 percent to the Developer of approximately $1,600,000 per year). The development costs determination period is the period ending upon the earlier of (a) the first day of the first month after 95 percent of the mixed-use portion of the complex's space is leased and occupied, or (b) the end of the third year after the Project's opening.

The hotel could include up to 60 "interval ownership units" which are luxury suites with kitchen facilities. Fractional interests in these units would be sold in advance with occupancy rights for transient use over specific periods of time. According to Mr. Smith, the decision to develop such units would be a private matter between the Developer and the hotel developer, subject to the requirements of the Yerba Buena Center Redevelopment Plan and related plan documents (including the OPA/DDA). However, it is highly likely that such presold units would be built because they would provide the hotel developer with stable income. Furthermore, such units could be sold as residential condominium units if the criteria for parking, open space, and affordable housing specified in the proposed Yerba Buena Center Redevelopment Plan are met[3]. Approximately 16,100 square feet of the Project would be publicly accessible open space both inside the complex and on its roof. If the Project incorporates residential condominium units, additional open space would be provided for the residents.

Although the total parking requirement for the proposed Project has been estimated to be 1,330 spaces, no space has been set aside for parking. The proposal assumes that:

- Based on economic analyses commissioned by the Developer (reviewed and determined to be reasonable and accurate by a real estate economic consulting firm, Keyser Marston Associates, on behalf of the City and the Redevelopment Agency), construction of underground parking would be economically infeasible.
- The Project Site Area is located next to a public transit hub, and the City has a transit first policy.
- The adjacent parking building at Fifth and Mission Streets has some spare capacity[4] and DPT is examining

[3] If such a conversion takes place, the Developer (or the hotel developer) is liable for all development fees and exactions which would apply if such residential condominium units had been built outside of the redevelopment area. According to Mr. Smith and Mr. Warner, if the Redevelopment Agency's standard 20 percent requirement for affordable housing would require a greater in lieu payment, or the development of more affordable housing, than would be required by the Planning Code's affordable housing requirements, then the Redevelopment Agency's requirement would govern.

[4] According to Mr. Ron Szeto of DPT, peak occupancy for the parking garage at Fifth and Mission Streets occurs around 1 pm. In July of 2000, 1 pm occupancy was an average of 75-85 percent on Sundays through Fridays, and an average of 95-98 percent on Saturdays. In January of 2000, 1 pm occupancy was an average of 65-85 percent. During major conventions at the Moscone Convention Center (approximately 20 to 25 days per year), the garage can provide up to 105 percent occupancy,

possible expansion of that garage and other ways to add parking capacity nearby.

- Under the proposed mitigation monitoring program and the OPA/DDA, the Developer would be responsible for developing and implementing transportation initiatives for customers and employees.
- According to the Transportation Authority, the real traffic congestion problem in the South of Market Area is freeway access, not availability of parking.

The Budget Analyst notes that other current and projected downtown developments (including the Ferry Building renovation, the Pier 1 development, MUNI's hotel project at Mission and Steuart Streets, and the Moscone Convention Center expansion) also do not propose to construct new parking spaces in the downtown area. If the interval ownership units in the hotel are converted to residential condominium units, the Developer would be required to either:

(a) Provide one parking space for every four residential condominium units if such parking spaces are located within 600 feet of the Project, or one parking space for every two residential condominium units if such parking spaces are located elsewhere in the South of Market Area; or,

(b) Pay an in-lieu fee to the City in an amount equal to what it would cost the City to build the required number of parking spaces on City property, up to a cap of $8,333 per unit for a maximum of 60 units ($500,000), based on the number of units the Developer or hotel developer elects to convert.

Description of the Emporium Site Area:

The approximately 6.77 acre Emporium Site Area comprises a number of land parcels:

- The former Emporium Building at 835 Market Street and adjacent warehouses and office buildings presently owned

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due to the provision of a valet parking service. During these periods, DPT also coordinates with other garages in the area to maximize parking capacity. This information is consistent with the survey performed by transportation consultant Wilbur Smith for the Developer, according to Mr. Smith.

by Bloomingdale's, Inc. (Assessor's Block 3705, Lots 13, 14, 15, 17, 18, 33, 38 and 43).

- Buildings owned or held under option by the Developer (Assessor's Block 3705, Lots 9, 10 and 12).
- A 15,420 square foot portion of the 33,023 square foot section of Jessie Street which runs east-west between Fourth Street and Fifth Street to be vacated and sold by the City, through the Redevelopment Agency, to the Developer for $3,100,000.
- An approximately 100,000 square foot portion of Mission Street extending to the Mission Street wall of the parking garage at Fifth and Mission Streets.

Of the Emporium Site Area's 6.77 acres, 4.48 acres form the Project Site Area on which the complex and the rerouted portions of Jessie Street would actually be built (Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38 and 43, and the subject portion of Jessie Street).

Attachment I is a map of the various parcels of land which comprise the Emporium Site Area. Attachment II is a plan of the Project complex and the proposed configuration of Jessie Streets West and East immediately adjacent to the complex. Attachment III is a map showing the geographic relationship between the Emporium Site Area and the Yerba Buena Center Redevelopment Project Area.

In FY 2000-01, all of the above parcels of land (including the current buildings) combined are assessed for Property Tax purposes at $69,957,924.

An economic analysis performed by a private real estate economics consulting firm, the Sedway Group (for the Developer), and reviewed and determined to be reasonable and accurate by Keyser Marston Associates, Inc. (on behalf of the City and the Redevelopment Agency), found that the portion of the Emporium Site Area on which the Emporium Building and the Emporium Annex are located (Assessor's Block 3705, Lots 38 and 43) would have substantial value, perhaps $26,000,000 or more, in their own right if the land were unencumbered by the requirement to restore the historic Emporium Building. However, the Sedway Group determined that Lots 38 and 43 have a negative value, even if all of the transferable development rights originally

associated with the site and potential historic tax credits are taken into account, because the cost of preserving and restoring the historic building exceeds the value of the renovated building. The Sedway Group concluded that there is no economic incentive for a property owner or developer to pursue another project on this site which involves rehabilitation of the Emporium Building. Therefore, although (a) the Emporium Site Area as a whole is assessed for Property Tax purposes at $69,957,924, and (b) two key parcels of land, Lots 38 and 43, would be worth $26,000,000 or more in their own right if unencumbered by the requirement to preserve the Emporium Building, the preservation of the Emporium Building imposes a significant cost constraint on the Developer.

On completion, the 4.48 acre (or 195,000 square foot) Project Site Area would be allocated to the following uses:

- 182,190 square feet for the complex's "footprint."
- 12,810 square feet for mid-block rerouting of Jessie Stret to Mission Street along both sides of the complex.

According to DPW, the subject mid-block portion of Jessie Street is no longer needed for present or prospective public use, with the condition that a public utility easement be reserved for Pacific Gas and Electric gas and electric facilities and Pacific Bell telecommunications facilities, and that Jessie Street be rerouted to either side of the complex. To achieve the required street rerouting, the Developer, together with Bloomingdale's, Inc. where required (see "Ownership" below), would dedicate, construct, and convey to the City 12,810 square feet of land to permit the mid-block rerouting of Jessie Street to Mission Street along both sides of the Project. (This would involve the demolition of the existing buildings on this land.) Of this 12,810 square feet of land, the Developer would dedicate, construct, and convey to the City approximately 6,405 square feet, or one half, for a newly created street, "Jessie Street West", and an additional approximately 6,405 square feet, the other half, for a newly created street, "Jessie Street East." According to the Redevelopment Agency, the new Jessie Streets West and East would facilitate efficient and safe traffic circulation for vehicles and pedestrians to serve the Project, including a 15-

bay truck loading and delivery area served from Jessie Street West.

Ownership: Bloomingdale's, Inc., an Ohio corporation, owns most of the Project Site Area[5]. Bloomingdale's, Inc. has deemed the existing Emporium Building as unsuitable for a new Bloomingdale's department store because it does not meet modern retail standards. However, Bloomingdale's, Inc. considers the costs of building only a new department store building to be prohibitive given the requirement to preserve the historic features of the Emporium Building. Therefore, Bloomingdale's, Inc. wishes to be part of a larger development to enhance the patronage to its Bloomingdale's department store, while lowering its cost of occupying the space. Consequently, Bloomingdale's, Inc. has partnered with the Developer to create a mixed use complex. Upon the Developer's completion of (a) the shell and core of the department store, (b) the hotel pad, and (c) the mixed-use portion of the Project, Bloomingdale's, Inc. will convey all of the project site property to the Developer in exchange for a $30,000,000 shell build-out for, and fee ownership of, its Bloomingdale's department store. Effectively, the Developer would pay Bloomingdale's, Inc. $30,000,000 for (a) the land, and (b) its commitment to operate a Bloomingdale's department store as a major attraction for the retail portions of the mixed-use complex[6].

The Developer would be responsible for the costs associated with the termination of existing leases for property within the project site and any relocation assistance costs associated with existing business tenants. Certain existing office and retail uses would be provided with relocation benefits to the extent they are eligible under the Yerba Buena Center

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[5] Bloomingdale's, Inc. owns most of the Project Site Area except (a) Assessor's Block 3705, Lot 9, which is owned by the Developer, (b) Assessor's Block 3705, Lots 10 and 12, which are under option to the Developer, and (c) the subject portion of Jessie Street.

[6] The structure of the proposed transaction is laid out in Recitals H and I of the draft OPA/DDA. The Developer anticipates, firstly, acquiring fee title to Lots 10 and 12 and to the subject portion of Jessie Street, and then conveying fee title to all of its holdings to Bloomingdale's, Inc. Bloomingdale's, Inc. would then ground lease the entire project site to the Developer during the Project's construction. Upon completion, Bloomingdale's, Inc. would convey fee title to the project site (excluding the department store parcel) to the Developer, thereby terminating the ground lease. Under a separate agreement, Bloomingdale's, Inc. and the Developer would enter into a Reciprocal Easement Agreement which is anticipated to include an operating convenant for Bloomingdale's, Inc. to complete the build-out of, open, and operate a Bloomindale's department store.

Redevelopment Plan or State redevelopment law. They could be relocated either within or outside the Project. There are no existing residential uses.

Funding Arrangements:

According to Mr. William Carney of the Redevelopment Agency, the Project is expected to increase the value of the Emporium Site Area by $516,210,742[7], from its current assessed valuation (for Property Tax purposes) of $69,957,924 to $586,168,666. This projected increase in assessed valuation would result from improvements funded by a combination of:

- Private investment (see "Ownership" above); and
- Redevelopment Agency contributions of Property Tax increment funding up to a maximum amount of $27,000,000 (see Comments No. 4 through 10 below). The maximum amount of $27,000,000 represents the net present value[8] as of the Project's opening.

Based on the projected increased valuation of $516,210,742 once the Project has been completed and the FY 2000-01 Property Tax rate of $1.136 per $100 of assessed valuation, increased Property Tax revenue from the completed Project would total $5,864,154 annually. The size of the annual Property Tax increment contributions made by the Redevelopment Agency (funded by the incremental Property Tax revenues being generated as the Project is constructed) would be reduced if there was better than expected performance against net sales proceeds or net refinancing proceeds benchmarks (i.e. when net sales or refinancing proceeds exceed development costs less $25,000,000[9]).

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[7] This amount of $516,210,742 comprises:

- A projected $447,984,612 on the secured roll (i.e. taxable real property) consisting in rounded figures of (a) $46,000,000 for the Bloomingdale's department store shell, core, and fit-out, (b) $57,000,000 for the hotel, (c) $113,000,000 for 60 interval ownership units, and (d) $232,000,000 for other retail, entertainment, and office spaces.
- A projected $68,226,130 on the unsecured roll consisting of tenant improvements for Bloomingdale's department store, and for the Project's retail, entertainment, and office space, based on an assumed square foot value for tenant improvements prepared by the Sedway Group and applied to the amount of new development.

[8] The subject proposal uses a net present value of future dollars based on a 7.5 percent annual discount rate.

[9] According to Mr. Smith and Mr. Warner, the amount of $25,000,000 means that at the time the Property Tax increment contributions could stop and the City's participation in Project revenues

In return for the Redevelopment Agency's Property Tax increment contributions, the City would participate in future net cash flow, net refinancing proceeds, and net sales proceeds from the Project (see Comments No. 11 through 14 below).

A 12 percent rate of return has been negotiated as a return on cost for the Developer and as a return on the Redevelopment Agency's investment of Property Tax increment assistance for the City. According to Mr. Warner, a 12 percent rate of return on cost for investors is reasonable in the current real estate development market. The Redevelopment Agency, the Mayor's Office of Economic Development, and independent real estate economics consultants reviewed mixed-use projects in large metropolitan areas and determined a range of returns on developers' costs from 10.5 percent to 13 percent, depending on the projects' varying components and market risk factors. Based on this analysis, a 12 percent annual return based on the one-time total cost of the Project was assessed as a reasonable rate of return given the risks to the Developer of the subject Project.

According to Mr. Warner, the 12 percent rate of return would be a simple, rather than compound, rate of return on the net operating income[10]. If the Developer achieved a higher than 12 percent rate of return on costs, there could be two benefits: (a) the Developer could require less Property Tax increment contributions from the Redevelopment Agency because the increment cutoff, based on the Developer's recovery of actual development costs less $25,000,000 from sales and refinancings, could be triggered (see Comment No. 8), and (b) the City's participation in the Project revenues could begin early because the Developer could achieve the

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could begin, the Developer would not be entitled to recover all of its costs and would be required to retain significant equity in the Project for as long as the City has money in the Project (in the form of Property Tax increment which has not yet been repaid).

[10] Net operating income is defined as all gross revenues received by the Developer from the Project, less (a) operating expenses for each Developer fiscal year, and (b) the amount of the Capital Expenditures Reserve for each Developer fiscal year. It excludes any development cost item and there is no deduction for debt service. According to Mr. Smith and Mr. Warner, debt service is not deducted from gross revenues for the purpose of determining the net operating income and, therefore, the risk for debt service is solely carried by the Developer, to the City's benefit in the payment of participation.

net increase of net sales proceeds benchmarks before the 18th anniversary date of the Project opening (see Comment No. 12). Mr. Warner states that the City's participation would similarly be based on a 12 percent (simple interest) rate of return on the Redevelopment Agency's investment in the Project.

Project Approvals: The required Project approvals fall into the following four categories:

(1) Entitlements: these include (a) adopting related CEQA findings, mitigation measures, statement of overriding considerations, and mitigation monitoring program (File 00-1265 which will also be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), (b) amending the Yerba Buena Center Redevelopment Plan (File 00-1257 which has been referred directly to the Board of Supervisors for a public hearing on September 18, 2000), (c) amending the City's General Plan and Zoning Map so that they are congruent with the Yerba Buena Center Redevelopment Plan Amendment (Files 00-1256 and 00-1258 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), and (d) approving Jessie Street and Mission Street sidewalk widths, and parking and traffic regulations (Files 00-1259, 00-1311, and 00-1434 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

(2) Agreements for Development of the Project: these include approving (a) the OPA/DDA between the Redevelopment Agency and the Developer, and (b) an Owner Participation Agreement between the Redevelopment Agency and Bloomingdale's, Inc. According to Mr. Smith, neither the OPA/DDA, nor the Owner Participation Agreement between the Redevelopment Agency and Bloomingdale's, Inc. (which has yet to be finalized) require Board of Supervisors approval. However, Redevelopment Agency approval of these agreements is conditional upon the Board of Supervisors adopting the Yerba Buena Center Redevelopment Plan Amendment.

(3) Financing: this includes the subject resolution approving the use of Property Tax increment under a

Tax Allocation Agreement between the City and the Redevelopment Agency and a Financing Agreement between the City, the Redevelopment Agency, and the Developer.

(4) Site Assembly: this includes approving (a) the vacation of a portion of Jessie Street (having adopted the Resolution of Intent under File 99-2235, the Board of Supervisors has scheduled a public hearing for September 18, 2000), and (b) a Sale and Exchange Agreement for the conveyance by the City of the vacated street area and the conveyance by the Developer of areas for the rerouting of Jessie Street (File 00-1266 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

Comments: **Yerba Buena Center Redevelopment Plan**

1. According to Mr. Carney, the Redevelopment Agency is seeking to make the Project an approximately 6.77 acre extension to the existing 87 acre Yerba Buena Center Redevelopment Project Area. The purpose of the Yerba Buena Center Redevelopment Plan is to revitalize a substantial portion of the South of Market Area by creating a mixed-use civic center with cultural institutions, hotels, retail locations, affordable housing, and the Moscone Convention Center. The Project is deemed to be an appropriate extension of the Yerba Buena Center Redevelopment Area because it provides a major retail, entertainment, and hotel center in close proximity to the Yerba Buena Gardens and Moscone Convention Center, and enhances the pedestrian and public transit connections between those locations and Market Street.

2. Adding the Project to the Yerba Buena Center Redevelopment Project Area would provide the Redevelopment Agency with the necessary legal and financial ability to contribute Property Tax increment funding to the Project in order to alleviate the economic and physical blight of the Emporium Site Area, according to Mr. Carney. Furthermore, the proposed Yerba Buena Center Redevelopment Plan Amendment would modify some of the building height and size constraints of the City's Planning Code. Attachment IV is a memorandum provided by Mr. Carney which specifies the Planning Code modifications in

the proposed Amendment. The proposal to amend the Yerba Buena Center Redevelopment Plan is subject to pending legislation which, in accordance with the requirements of State redevelopment law, has been sent directly to the Board of Supervisors for consideration after a public hearing (File 00-1257 to be heard by the full Board of Supervisors on September 18, 2000).

3. According to File 00-1256 (an ordinance amending the San Francisco General Plan to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), any property to be included in the Emporium Site Area would be necessary for the effective redevelopment of that area, and would not be included purely for the purpose of enlarging the area eligible for obtaining Property Tax increment contributions from the Redevelopment Agency, and thereby increasing such contributions.

Property Tax Increment Contribution

4. According to Keyser Marston Associates, Inc. and the Sedway Group, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring several historic portions of the Emporium Building, site assembly, relocation of utilities, and construction of new streets. (Attachment V, provided by Mr. Carney, summarizes the six alternative scenarios.) For a developer to achieve an annual 12 percent rate of return on the cost of developing the Emporium Site Area, both real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding. The amount of $32,800,000 represents (a) approximately 6.4 percent of the total Project's incremental value of $516,210,742, or (b) approximately 10.9 percent of the Developer's capped development costs of $300,000,000[11]. However, according to Mr. Smith and Mr.

[11] Capped development costs are defined as the lesser of (a) actual development costs, or (b) $300,000,000 less a maximum of $15,000,000 for the gross sales proceeds from the hotel parcel (minus reasonable closing costs, brokerage fees, and prepayment penalties) if the hotel parcel is sold before the end of the development costs determination period (which is upon the earlier of either 95 percent occupancy or the end of the third year after opening). The $300,000,000 maximum capped

Warner, $32,500,000 represents a much more significant gap in relation to the Developer's projected cash equity in the Project of approximately $55,000,000.

5. In response to the identified "feasibility gap" of $32,800,000, the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of $27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures to alleviate blight and provide public benefits such as:

(1) The historic preservation costs associated with the Project. These are estimated to cost $21,333,000[12]. Attachment VI provided by Mr. Carney, summarizes the estimated historic preservation costs.
(2) Site assembly and preparation (which includes $3,100,000 to purchase the subject portion of Jessie Street).
(3) Transit and circulation improvements.
(4) Economic revitalization and job creation.

According to Mr. Smith and Mr. Warner, although these types of eligible expenditures for which Property Tax increment must be allocated are specified in an attachment to the Financing Agreement, the exact cost items on which the $27,000,000 Property Tax increment funding would be expended have not yet been determined. They note, however, that the Developer would be required to report on what eligible costs it expends for the Property Tax increment contributions it receives.

6. The $27,000,000 Property Tax increment contribution (net present value at the Project's opening) is a figure which

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development cost does not include the Bloomingdale's department store build-out and the construction of the hotel above the pad, and it could be decreased if the overall scope of the Project is reduced. According to Mr. Smith, capping development costs protects the City against cost overruns delaying the commencement of the City's participation term. It also limits the total amount of interest on the Developer's equity during construction which counts towards development costs. Lowering development costs could benefit the City in two possible ways: (1) it could accelerate reaching the financial benchmark for the early cessation of Property Tax increment, and (2) it could accelerate reaching the financial benchmark for the early commencement of participation in Project revenues.

[12] According to the Sedway Group, the cost and construction risk of retaining these historic elements and selectively demolishing the rest of the structure is much greater than demolishing the entire building and building on a clear site.

results from negotiations between the City and the Developer over the value of the entire feasibility gap. The $5,800,000 gap (approximately 1.9 percent of the Developer's capped development costs of $300,000,000) between the Redevelopment Agency's maximum Property Tax increment contribution of $27,000,000 (9 percent of capped development costs) and the estimated $32,800,000 "feasibility gap" (approximately 10.9 percent of capped development costs) would be closed by the Developer through one or more of the following mechanisms: reducing project costs through value engineering, increasing rental revenues, finding other funding sources, or by accepting a lower rate of return. While the $27,000,000 Property Tax increment contribution is only 9 percent of the capped development costs of $300,000,000, it represents a more significant contribution to Project development costs given that the Developer is expected to contribute equity in the amount of $55,000,000 up-front.

7. The Redevelopment Agency justifies the proposed Property Tax increment contribution of $27,000,000 in net present value as of the date the Project opens, or approximately 5.2 percent of the Project's projected increased value of $516,210,742, on the grounds that the Project would generate the following public benefits:

- The Project would revitalize the area of mid-Market and Mission Streets.
- The Project would retain, restore, or adaptively reuse significant historic features of the Emporium Building.
- The Project would create an estimated 2,300 direct permanent, full time equivalent jobs[13] and an estimated 1,100 construction jobs during the construction period[14]. The Developer would commit to targets for (a) the employment of economically disadvantaged individuals, South of Market Area residents, and San Francisco residents, and (b) tenant leases with minority and women-owned businesses.

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[13] Calculated by Keyser Marston Associates, for the City and the Redevelopment Agency.

[14] Also calculated by Keyser Marston Associates, which estimates that, in addition to direct jobs, the Project would generate in San Francisco an approximate 4,400 indirect permanent jobs, and 1,200 indirect construction jobs, as a result of the Project's economic "spin-off."

- The Developer would pay $800,000 into the City's First Source Hiring Program[15]. The Developer and other employers involved in the Project would be required to adhere to the City's First Source Hiring Ordinance and hire qualified economically disadvantaged individuals into entry level jobs.
- The Developer would pay $250,000 for special improvements to, or the operation of, Hallidie Plaza[16].
- The Developer would pay $1,500,000 for parking improvements in the South of Market Area or other parking solutions determined by the City (this expenditure would be separate from the parking expenditures described above which relate to the construction of residential condominium units).
- The Developer would implement a number of measures to encourage the use of public transportation by employees and customers.
- The Developer would spend at least $1,000,000 on Powell Street MUNI and BART station improvements, and at least $250,000 on off-site mitigation measures identified in the Environmental Impact Report for the Project.
- The Project would generate a projected $14,000,000 per year in new tax revenues for the City from the third year after the complex's opening (beginning in Year 2006)[17].
- The Project would contribute at least $16,000,000 in today's dollars to affordable housing over 30 years, which doubles the affordable housing fee which would otherwise be payable under the Planning Code. This would be paid on the basis of 20 percent of the Property Tax increment for the first 16 years from the effective date of the Board of Supervisors ordinance approving the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257)

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[15] The City's First Source Hiring Program is a job training and job referral program for economically disadvantaged San Francisco residents seeking entry-level jobs. In terms of the subject Project, it is anticipated that the Redevelopment Agency would administer the program for construction jobs, while the City would administer the program for permanent jobs. The Developer would designate and fund a liaison person to work with the Redevelopment Agency and the City to implement the First Source Hiring Program within the Project, in part by informing tenants of their obligation to advise the City about available entry-level jobs.

[16] This amount is approximately the same as would be payable if the Project site street frontages were part of the Union Square Business Improvement District.

[17] Keyser Marston Associates estimates $6,000,000 per year to the General Fund and $8,000,000 per year to other City funds (dedicated MUNI and DPW revenues, hotel tax funds, and child care fees). These estimates consist of total projected tax revenues (including all Property Tax increment) less the City's projected costs of providing additional services.

and 40 percent for years 17 to 30. The Project would also contribute a child care fee of $1 per square foot of new hotel and office space, for an estimated total contribution of $398,000. According to the Planning Department, additional fees would also be payable for open space (an estimated $46,000) and for transit impact (an estimated $115,000).

- An annual $200,000 payment would be made to the City (indexed for inflation through annual adjustments based on changes in the Consumer Price Index) for the first 15 years of the Project, or a one-time in-lieu payment of $2,250,000, if the Developer allocates hotel rooms as interval ownership units. These payments are a negotiated amount which would be in lieu of possible lost Hotel Tax revenues should such hotel units be converted to interval ownership units.

8. The Redevelopment Agency's Property Tax increment contribution would not exceed a cap of $27,000,000 in net present value as of the date of the Project's opening and would not continue beyond the earlier of (a) 13 years after the Project opens, (b) 16 years after the effective date of the ordinance adopting the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257)[18], or (c) the year in which the Developer receives net proceeds from refinancing or sale in an amount equal to, or greater than, actual development costs less $25,000,000.

In any year, the Redevelopment Agency's annual maximum Property Tax increment contribution to the Developer would not exceed 60 percent of the total Property Tax increment revenues generated within the Emporium Site Area that year. The Redevelopment Agency would pay the Property Tax increment contributions to the Developer on a "pay-as-you-go" basis, once annually, from the first year in which construction of the Project produces incremental assessed value[19]. No Property Tax increment revenues would be

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[18] According to Mr. Smith, the 16 year period caps the risk to the Redevelopment Agency of a longer than anticipated construction period. This is subject to a possible maximum three year extension if there is major damage to the Project (outside the Developer's control) which reduces the annual net available Property Tax increment to the Redevelopment Agency by 10 percent or more.

[19] The Agency, subject to Board of Supervisors approval, would have the option to issue Tax Allocation Bonds and pay the Developer the Increment Liquidation Amount in lieu of pay-as-you-go increments, if that would be financially advantageous for the Redevelopment Agency. The

available beyond the Property Tax increment generated by the Project itself. The Redevelopment Agency's annual Property Tax increment contribution could equal the total increment collected on the assessed value of taxable Project property, less:

- The affordable housing set-aside.
- An approximately 20 percent statutory pass-through required under redevelopment law for payments to funding agencies (including the City, the San Francisco Unified School District, and BART).
- Up to 2 percent annual growth in the Property Tax base to adjust for inflation.
- An annual fee to the Redevelopment Agency of $65,000 for the first three years in which the Developer receives Property Tax increment, then $50,000 annually for the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation). These payments are intended to compensate the Redevelopment Agency for the costs of overseeing the Project.

9. According to the estimates prepared by the Sedway Group for six alternative development scenarios for the Emporium Site Area (as described in Attachment V), this preferred development plan requires the least public subsidy and provides the most public benefits. However, the other five alternative scenarios would preserve more of the historic Emporium Building and would conform more closely with

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Increment Liquidation Amount would be (a) the amount of any prepayment penalty, plus 97 percent of the difference between (a) $27,000,000 plus 7.5 percent annual interest, and (b) the Property Tax increment and interest contributed thus far. However, according to Mr. Smith, pay-as-you-go Property Tax increment contributions are preferable to tax allocation bonds. Tax allocation bonds are based on projected tax increment payments and are, therefore, at risk of reassessment or decreased tax revenues due to damage to the Project, and place more risk directly on the Developer (although pay-as-you-go makes it more difficult for the Developer to finance those proceeds). Conversely, the size of pay-as-you-go Property Tax increment contributions is determined by the Property Tax increment actually generated. Furthermore, tax allocation bonds would be more expensive because (a) the Yerba Buena Center Redevelopment Area has a shorter term which ceases between 2008 and 2010, thereby reducing the length of time available to amortize the bonds in the absence of a term extension or credit enhancement, (b) the Redevelopment Agency would have to pay transaction costs associated with issuing the bonds, and (c) the City and the Redevelopment Agency would need to safeguard against potential default on the bonds (such as obtaining a guarantee for shortfalls in tax increment funds to pay debt service costs).

existing Planning Code requirements. Mr. Tony Irons, the City Architect, has reviewed the construction cost estimates of the six Project alternatives and has deemed them reasonable, although he has not independently verified each component of the cost estimates.

10. The Budget Analyst has received extensive economic analysis related to the Developer's need for the Redevelopment Agency's proposed Property Tax increment contribution of up to $27,000,000 to ensure the viability of the proposed project. However, none of the six development scenarios for which economic analyses were prepared (as listed in Appendix V) contain information on Bloomingdale's, Inc.'s future plans for this valuable, centrally located site if the proposed Project did not proceed with the assistance of the Redevelopment Agency's Property Tax increment contribution.

While Federated Department Stores, Inc. has asserted that "the cost to bring to modern department store standards the historic, unreinforced masonry building, with its closely spaced columns and other challenges, is simply prohibitive" (refer to the letter contained in Attachment VII), the Budget Analyst cannot independently verify what Bloomingdale's, Inc. would do if the Project did not proceed. Therefore, the Budget Analyst is unable to determine the extent to which the asserted need for the Redevelopment Agency's proposed contributions of $27,000,000 in Property Tax increment to the Developer is necessary for the development of the property.

City Participation in Project Revenues

11. Under the proposed Project, in return for the City's Property Tax increment contribution, the City would participate in net cash flow, net refinancing proceeds, and net sales proceeds from the Project. The participation revenues, which would all go to the City's General Fund[20], would be generated on the following basis:

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[20] Under the Tax Allocation Agreement, the Redevelopment Agency irrevocably assigns participation payments to the City.

- City participation in net cash flow is 35 percent of net operating income after the Developer recovers (a) for any participation payable in years 1 to 19 after the Project's opening, its 12 percent annual return on capped development costs plus accumulated net operating income shortfalls (and 12 percent interest on such shortfalls), and (b) for any participation payable in years 19 onwards, its annual 12 percent simple interest return on capped development costs.
- City participation in refinancings would be 35 percent of the Developer's net proceeds from a refinancing.
- City participation in sales would be 35 percent of the net proceeds from a sale.

Selling the hotel parcel would represent one-time participation for the City if it happens after the end of the development costs determination period. If it occurs before the end of that period, it would reduce the development costs but there would be no participation in the sale of the hotel parcel. According to Mr. Warner, if the hotel pad is sold for up to $15,000,000, both the Developer's actual development costs[21] and the capped development costs would be reduced accordingly to the benefit of both the Developer (in terms of overall Project financing) and the City (due to the potential increased likelihood that the Developer would reach the financial benchmark for the early cut-off of Property Tax increment). If the hotel parcel sale's proceeds exceed $15,000,000, those proceeds above $15,000,000 reduce only the Developer's actual development costs, not the capped development costs because of a negotiated $15,000,000 cap for hotel parcel sales proceeds. However, the City again benefits in that reduced actual development costs accelerate the City's participation in Project revenues.

12. The City's participation would begin on the earliest of:

- The year in which both (a) the Project's net operating income, exclusive of the City's Property Tax increment

[21] Actual development costs are defined as (a) the Developer's expenditures on development of the Project, and (b) 12 percent interest on the Developer's equity during the construction period. Development costs would be reduced by (a) the amount of Property Tax increment rebated to the Developer during construction, (b) any Project revenues received by the Developer during construction, and (c) the total net proceeds from a sale of the hotel parcel if it is sold before the end of the development costs determination period.

contribution, is equal to or greater than an annual 12 percent return on capped development costs, and (b) the balance of accumulated net operating income shortfalls (and annual 12 percent interest on such shortfalls) is zero.

- The year in which the Developer receives net sale proceeds less $25,000,000.
- The 18th anniversary date of the Project opening (projected to be approximately 2021 based on a Project opening of 2003).

Subject to the ongoing negotiations with labor union representatives, the Developer could be obligated to prepay $1,000,000 of the City's participation revenue in accordance with provisions relating to Bloomingdale's department store labor relations. According to Mr. Smith, such prepayment would be applied to the last participation dollars otherwise payable to the City.

13. The City's participation would be (a) capped at the total amount of Property Tax increment it had contributed, plus 12 percent simple interest on that total contribution, and (b) limited to a maximum term of 99 years. The Developer would have the right to buy out or prepay some or all of the City's participation at any time. Mr. Smith notes that the 99-year maximum term would cover a number of economic cycles, thereby protecting the City's participation against short-term economic downturns. Projections, however, estimate that full repayment of the City's Property Tax increment investment plus required interest would take 33 years. According to Mr. Smith, the City's participation rights are associated with the mixed-use portion of the Project, and would continue even if some or all of the mixed-use portion of the Project was sold or transferred to other owners.

14. Projections prepared by the Sedway Group for the Developer, and reviewed by Keyser Marston Associates on behalf of the City and the Redevelopment Agency, indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is estimated to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's

opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

Attachment VIII is a spreadsheet prepared by the Sedway Group summarizing the chronological breakdown of:

- The Redevelopment Agency's estimated cumulative Property Tax increment contributions in the amount of $40,747,639 between Years 1 and 12, which has a net present value of $27,000,000 using an annual discount rate of 7.5 percent, discounted to the Project's opening.
- The City's subsequent participation in net revenue in the amount of $42,741,661 between Years 19 and 24 (assuming a sale or refinancing in the amount of $17,060,937 in Year 23) by which time the City is projected to be repaid an amount equivalent to the Redevelopment Agency's Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).
- The City's subsequent participation in net revenue in the amounts of $76,578,791 between Years 25 and 33 by which time the City is projected to be paid a 12 percent simple interest return on the Redevelopment Agency's total Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).

Based on the assumed net revenue to be derived from the Project, and the projected 7.5 percent discount rate, the participation outlined in Attachment VIII equates to $27,000,000, plus 12 percent simple interest. According to Mr. Smith, the Sedway Group projections were reviewed and determined to be reasonable and accurate by Keyser Marston Associates, on behalf of the City and the Redevelopment Agency.

Key Risks to the City

15. According to Mr. Smith, the key risks to the City of proceeding with the proposed Project would be:

- The proposed construction is either not completed or not opened, and therefore blight in the Emporium Site Area is

not alleviated and the public benefits from the Project (including jobs and tax revenues) are not realized.

- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible due to, for example, better than expected Project revenues, lower than expected development costs, or higher than expected refinancing or sale proceeds.
- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated, thereby providing the City with neither the projected return on the Redevelopment Agency's investment of Property Tax increment, nor the projected public benefits (such as tax revenues, jobs, and economic revitalization).
- The hotel is not built thereby reducing the number of jobs, the revenue, and the tax increment generated by the Project.
- There is a disaster due to earthquake, fire, or some other catastrophic event which diminishes or delays the City's participation in Project revenues.

With regard to the proposed Project <u>not</u> proceeding, Mr. Smith states that the key risks to the City would be that Bloomingdale's, Inc. keeps the Emporium Building vacant, that no development occurs, and that, therefore, the City does not receive the public benefits which would accrue from the proposed Project (as outlined in Comment No. 7 above).

16. Mr. Smith advises that the proposed development contains the following provisions which would mitigate these risks:

- There is the inherent financial risk to the Developer (and its parent company, Forest City Enterprises, Inc.), Bloomingdale's, Inc., and the construction lender of not completing the Project because the Developer, Bloomingdale's, Inc., and the construction lender would be committing significantly more private dollars than the Redevelopment Agency would be contributing to the Developer in Property Tax increment.

- The subject portion of Jessie Street could not be conveyed, and escrow could not close, until the Developer has finalized its project financing, obtained the required permits, and met a number of other conditions to closing under the OPA/DDA[22].
- Even if the subject portion of Jessie Street was conveyed but the complex was not built, the City would have received the $3,100,000 payment (the November of 1999 appraised value of the property) and bonds or other security procured by the Developer to finance completion of the new Jessie Streets West and East, and an irrevocable offer to dedicate and convey fee title for the new street areas to the City.
- The City would have contributed only a projected $1,977,027 in Property Tax increment by the end of the 28 month construction period (based on a fully completed Project). The City could seek to have the Redevelopment Agency require repayment under any new or amended Owner Participation Agreement for which new consideration is required if alternative development proposals were to be constructed instead.
- The following provisions in the Financing Agreement would mitigate against the risk of the Redevelopment Agency contributing more Property Tax increment than the Project needs to be economically feasible: (a) Property

[22] According to Mr. Smith, the vacation of the subject portion of Jessie Street would not become effective until the Yerba Buena Center Redevelopment Plan Amendment and the General Plan Amendment ordinances take effect, and the Developer (together with Bloomingdale's, Inc. where required) has: (a) irrevocably dedicated the property for Jessie Streets West and East to the City; (b) agreed to construct the new Jessie Streets West and East, including required public utilities, pursuant to a street improvement agreement and permit; (c) furnished bonds or other security acceptable to the City to guarantee completion of the new street areas; and (d) ensured that the City has interim easements to maintain access to public utilities located in the subject portion of Jessie Street, and pedestrian and vehicular access to adjacent properties until Jessie Streets West and East are constructed.

The City proposes to sell and convey the subject portion of Jessie Street to the Redevelopment Agency for immediate sale and reconveyancing to the Developer. In turn, the Developer would (a) pay $3,100,000 directly to the City through escrow, and (b) dedicate, construct, and convey fee title to the City for Jessie Streets West and East. Therefore, according to Mr. Smith, the sale and conveyancing process is being held in two stages through a "simultaneous" escrow which ensures that the property is not conveyed to the Developer until all of the conditions for the commencement of the Project are satisfied. Mr. Smith states that this allows the Redevelopment Agency to serve as a clearinghouse for all of the closing conditions and helps protect the City's interest by ensuring that conveyance does not occur until the Developer is ready to begin construction. Neither the City nor the Redevelopment Agency would pay the transfer taxes and closing costs associated with the conveyance.

Tax increment contributions could only commence after construction actually begins, (b) Property Tax increment contributions could be terminated early based on better than expected performance against refinancing proceeds or net sale proceeds benchmarks, and (c) the City's participation in Project revenues could begin early if the Project meets cash flow or net sale proceeds benchmarks earlier than expected.

- If construction takes longer than 28 months (subject to force majeure[23]), the Redevelopment Agency could require specific performance measures, as permitted under the OPA/DDA.
- In the event of a disaster, the Developer would be obliged to restore up to the extent of insurance coverage[24].
- The maximum 99-year participation term would give the City time to fully recover its Property Tax increment contributions, plus annual 12 percent simple interest, even if there was damage to the complex or a market downturn.
- The parent company, Forest City Enterprises, Inc., would provide the City with a completion guarantee so that it would complete the construction of the complex if the Developer fails to do so, subject to Forest City Enterprises, Inc. being able to obtain the necessary financing. If Forest City Enterprises, Inc., despite using its best efforts, cannot obtain financing, it could terminate its obligations to complete so long as it pays back the Property Tax contribution it has received from the Redevelopment Agency, the annual 12 percent simple interest on the total contribution, plus a termination fee of $1,000,000 if the Project is less than 50 percent completed. According to Mr. Smith, this guarantee is a condition of the close of escrow under the OPA/DDA.
- The Developer has a financial incentive to have the hotel built (as outlined in "Description of the Project" above).
- A Financing Agreement covenant obligates the Developer to use commercially reasonable efforts to (a) enforce its

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[23] An unexpected event outside of a party's control which delays that party's ability to perform under a contract.

[24] According to Mr. Smith, the Redevelopment Agency's Risk Manager has approved the Developer's required insurance coverage. After Project completion, the Redevelopment Agency would review the Developer's insurance coverage every five years to check that the Developer's insurance coverage is commercially prudent (subject to the limitations specified in Section 7.3 of the Financing Agreement).

operating covenants for the hotel and the Bloomingdale's department store[25], and (b) operate the mixed-use portion of the Project complex as required by its operating covenant with the City. If the Developer breaches this covenant, and the number of full-time equivalent jobs fall below levels specified in the Financing Agreement, the Redevelopment Agency would have the right to reduce its Property Tax increment contributions, or, if the Property Tax increment contribution term has ended, the City would have the right to accelerate the payment of participation.

Related City and Redevelopment Agency Costs

17. The City estimates its total costs of managing this proposed Project to be as follows:

- Total expenses of up to approximately $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents. These expenses would be reimbursed by the Developer.
- Total expenses of approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel. These expenses could be covered by the existing Yerba Buena Center Redevelopment Area budget, according to Mr. Carney.
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project. These expenses would be reimbursed by the Developer in the amount of $65,000 for each of the first three years in which the Developer receives Property Tax increment, then $50,000 for each of the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation).
- Total expenses of approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services in processing the sale of the subject portion of Jessie Street. These costs would be reimbursed by the $3,100,000 Jessie Street sale proceeds.

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[25] Under the Covenant to Operate contained in Section 6.1(a)(i) of the Financing Agreement, Bloomingdale's, Inc. is required to operate a Bloomingdale's department store for a minimum of ten years after the Project's opening date, and a Bloomingdale's or other department store for a minimum five additional years.

Summary:

Emporium Development L.L.C. has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings as a 1,607,000 gross square foot multi-story complex comprising retail, entertainment, restaurant, cinema, office, and hotel complex. Construction is scheduled to take 28 months, and would involve restoring historically significant portions of the former Emporium Building and constructing underground links to the Powell Street MUNI and BART station. The Project is projected to increase the value of the site by $516,210,742, from its current assessed valuation (for Property Tax purposes) of $69,957,924 to $586,168,666. This projected increase in the assessed valuation would result from improvements funded by a combination of private investment and Redevelopment Agency Property Tax increment contributions.

According to independent real estate economics consultants, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring the Emporium Building, site assembly, relocation of utilities, and construction of new streets. For a developer to achieve an annual 12 percent rate of return on the cost of this Project, the real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding.

In response to this identified "feasibility gap", the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of $27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures which alleviate blight and provide public benefits such as historic preservation costs, site assembly and preparation, transit and circulation improvements, and economic revitalization and job creation. The amount of $27,000,000 was determined through negotiations between the City, the Redevelopment Agency, and the Developer.

The Budget Analyst has received extensive economic analysis related to the Developer's need for the Redevelopment

Agency's proposed Property Tax increment contribution of up to $27,000,000 to ensure the viability of the proposed project. However, none of the six development scenarios for which economic analyses were prepared contain information on Bloomingdale's, Inc.'s future plans for this valuable, centrally located site if the proposed Project did not proceed with the assistance of the Redevelopment Agency's Property Tax increment contribution. Therefore, the Budget Analyst is unable to determine the extent to which the asserted need for the Redevelopment Agency's proposed contributions of $27,000,000 in Property Tax increment to the Developer is necessary for the development of the property.

Projections indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is projected to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

The key risks to the City of proceeding with the proposed Project would be:

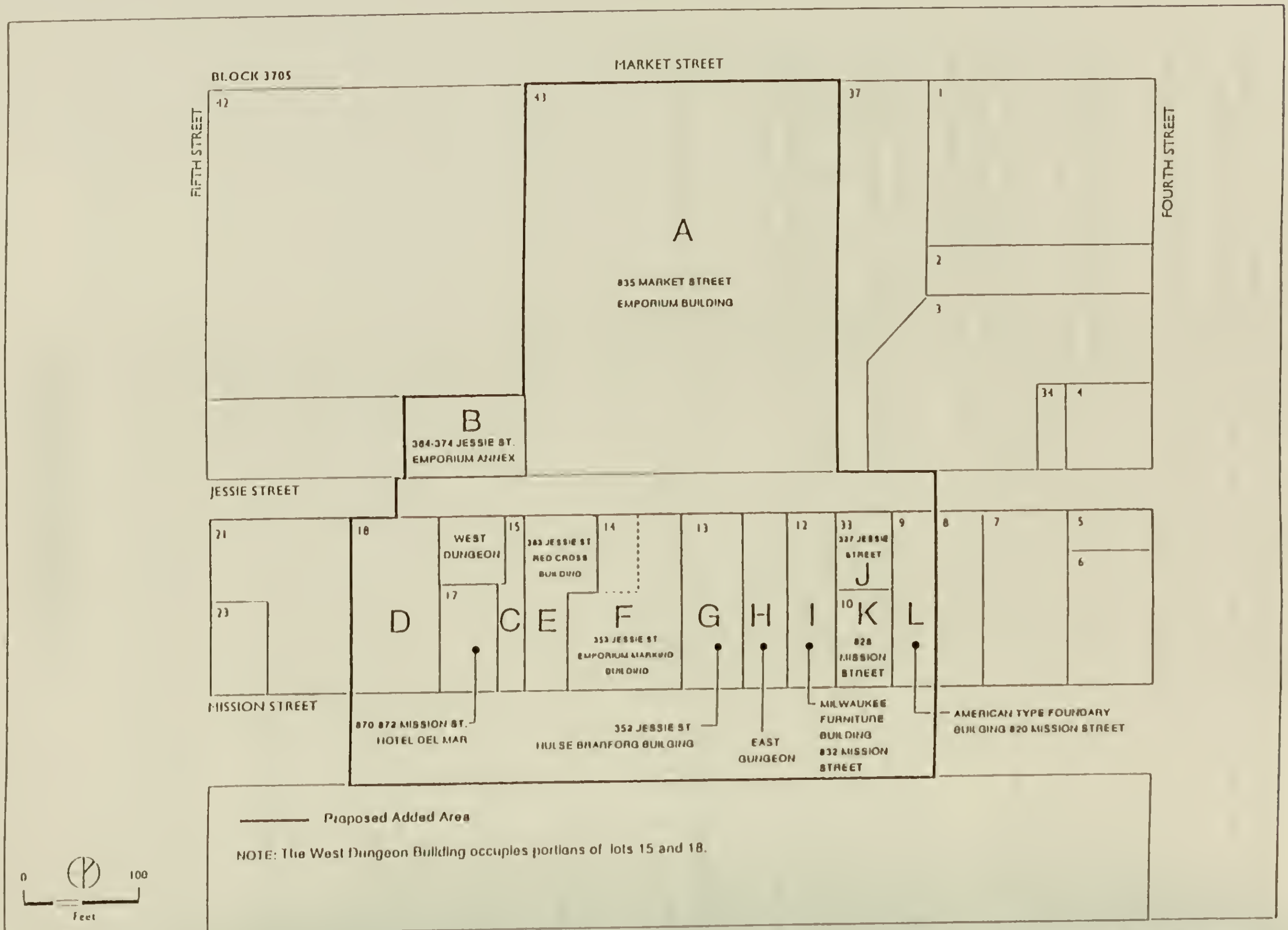
- The proposed construction is either not completed or not opened.
- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible.
- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated.
- The hotel is not built.
- There is some catastrophic event which diminishes or delays the City's participation in Project revenues.

The proposed Project contains a number of risk mitigation provisions, which are described in Comment No. 16 above.

The City estimates its total costs of managing this proposed Project to be as follows:

- Up to $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents (to be reimbursed by the Developer).
- Approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel (to be covered by the existing Yerba Buena Center Redevelopment Area budget).
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project (to be reimbursed by the Developer).
- Approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services (to be reimbursed by the $3,100,000 Jessie Street sale proceeds).

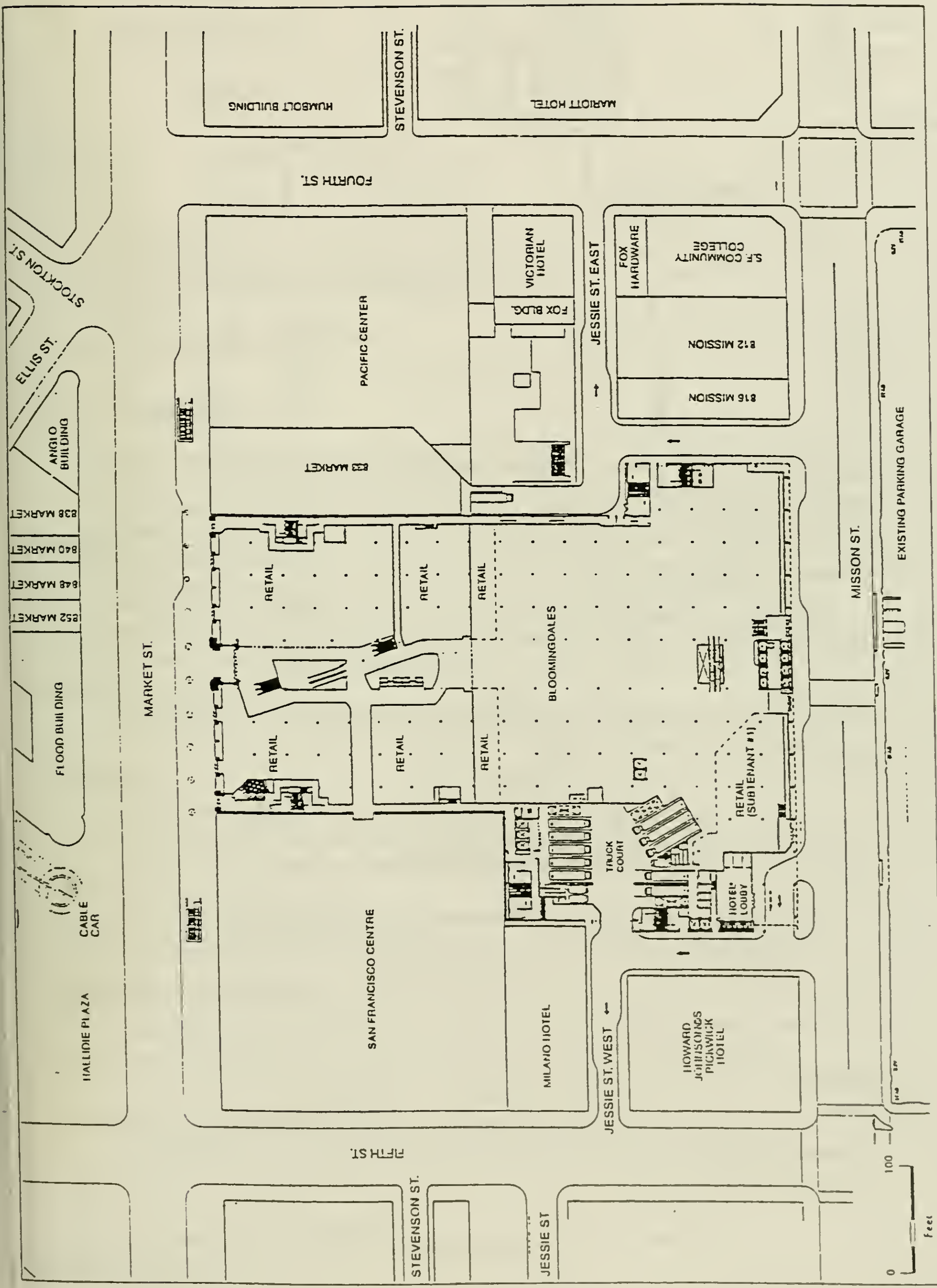
Recommendation: Approval of the proposed resolutions is a policy matter for the Board of Supervisors.



NOTE: The West Dungeon Building occupies portions of lots 15 and 18.

YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE II-5: BUILDING LOCATION MAP

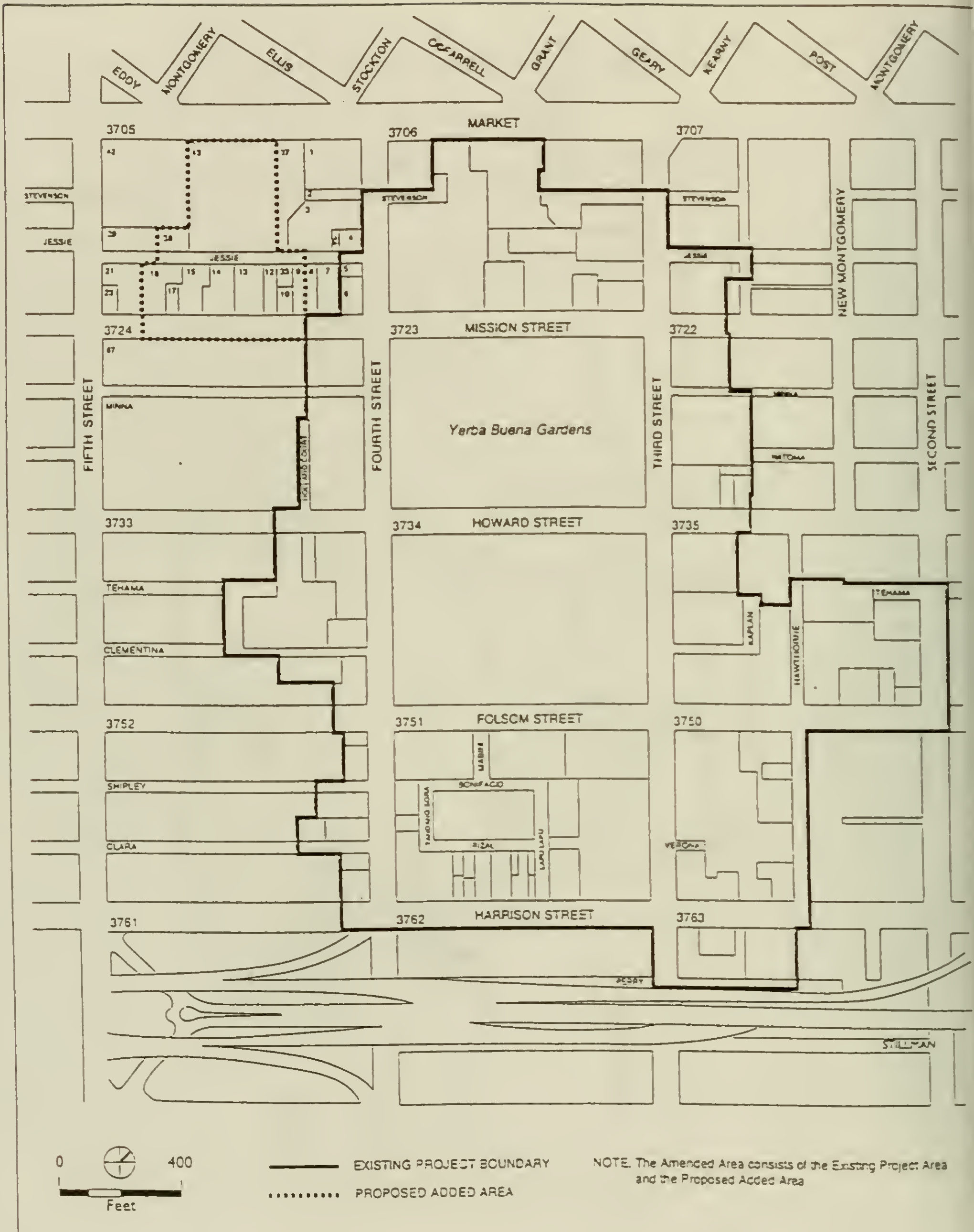


YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE III-1: ILLUSTRATIVE PLAN OF PROPOSED PROJECT

SOURCE: KA Inc Architecture

EIP



YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSIO

FIGURE I-2: EXISTING REDEVELOPMENT PROJECT AND THE PROPOSED ADDED ARE

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

SF RA

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

The proposed Yerba Buena Plan Amendment modifies the existing Yerba Buena Redevelopment Plan by expanding the Project Area boundaries to include the adjacent Emporium Site Area; making a major department store and mixed-use retail, entertainment, office and hotel development on the Emporium Site Area an objective of the Redevelopment Plan; providing for tax-increment financing up to $27 million (in net present value at the date of opening) to be derived only from the Emporium Site Area if needed to make the proposed development feasible; and incorporating significant portions of the Planning Code as the Development Standards for the Emporium Site Area, with modifications necessary to accommodate the proposed redevelopment of the area.

To accomplish the proposed redevelopment, the Plan Amendment modifies the Planning Code requirements that would otherwise apply for the Emporium Site Area in the following ways:

Use

- Allows hotel and office as permitted uses (instead of conditional uses).
- Provides for "interval hotel suites" and for their conversion to residential use (subject to parking, open space and affordable housing requirements similar to those in the Code).

These uses could be granted under the current Code, and the Plan Amendment process provides a greater degree of public review than does the conditional use process.

Density, height and bulk

- Provides a base Floor Area Ratio (FAR) of 9:1 with no additional increase for Transferable Development Rights (TDRs) (current base is 6:1, increasing to 9:1 with TDRs).
- Increases height and bulk limits to 135-X, 200-X and 400-X (from 120-X, 160-X and 160-F).

The FAR change provides for the amount of development necessary to make the redevelopment of the site economically feasible, within the maximum development envelop allowable on the site under the current Code. The height changes allow for adjustments to

accommodate the relocation of the Emporium Building dome and to create a more slender and graceful hotel tower compatible with the adjacent towers of the Yerba Buena Center.

Historic preservation

- Provides for a specific program for retaining, restoring, rehabilitating, and adaptively reusing the historically significant features of the Emporium Building, in lieu of Article 11.

In finding the proposed Plan Amendment consistent with the General Plan, the Planning Department has determined that the Emporium Building has no substantial remaining value and therefore could be subject to demolition. However, the Plan Amendment specifically provides for retaining the historically significant features of the building, including the Market Street façade, the historic office portion of the building, and the dome and rotunda.

Other provisions

- Reduces off-street freight and bus loading requirements in accordance with the demand analyses in the Project EIR.
- Allows minor shadowing of Hallidie Plaza in light of the limited nature of shadowing established in the Project EIR.
- Allows minor exceedances of wind comfort standards in light of the limited nature of wind impacts as described in the Project EIR.
- Retains Article 6 regarding signs, but allows certain exceptions based on compelling design or architectural justification.

The first three items could be granted as exemptions under the current Code, and the Plan Amendment process provides the same level of analysis by the Planning Department and a greater degree of public review than does the exemption process. The sign item provides the Planning Department and the Agency with the discretion to provide higher signs and greater projections for awning signs based on compelling design or architectural justification.

Since the Plan Amendment provides that the Planning Code acts as the basic development controls in the Emporium Site Area, design review and approval of the project will be conducted by the Planning Department, in accordance with a Delegation Agreement with the Redevelopment Agency. The Delegation Agreement is intended to assure that the Planning Code, as modified, is applied to the Emporium Site Area in a manner consistent with other areas in the City.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney
Senior Project Manager
Yerba Buena Center

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

SF
RA

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

In response to the request from your office, the following provides descriptions of the six redevelopment alternatives analyzed for the proposed Emporium Site Area. Economic analysis conducted by Sedway Group and confirmed by Keyser Marston Asociates determined that all the alternatives, except the preferred alternative, were infeasible without substantially greater financial assistance.

- Preferred Alternative – The Preferred Alternative includes new retail, entertainment, restaurant, cinema, office and hotel uses. The Project would retain, rehabilitate, and restore the Market Street façade (to a depth of 65 feet) and the existing dome and rotunda of the Emporium Building. The project would demolish and replace other existing buildings between Market and Mission streets, would relocate existing office uses within the new building, and would require the City to vacate a portion of Jessie Street. The Preferred Alternative includes 277,500 square feet of gross leasable area (GLA) of retail space, 97,000 square feet (GLA) of entertainment space, 225,000 square feet (GLA) of office space, a 355,500 square foot (GLA) Bloomingdale's department store, and a 375,000 square foot 210-room hotel and 60-unit interval vacation ownership component.

- EIR Alternative C – This alternative preserves the exterior and interior of the Emporium Building and the Annex Building including the Jessie Street facades. Jessie Street becomes a glass-enclosed "gallery" with bridges connecting the development on either side. Development on the south side is limited to a four-story base and seven-story tower. This alternative includes 255,500 square feet (GLA) of retail space, 164,700 square feet (GLA) of office space, and a 357,000 square foot (GLA) Bloomingdale's department store.

- EIR Alternative D - This alternative also preserves most of the Emporium Building, but would allow selective demolition of the Jessie Street façade, as well as demolition of the Annex Building. Some floors of the new addition would span Jessie Street. Development south of Jessie Street would also be limited to a four-story base and seven-story tower, although somewhat bulkier than under Alternative C. This alternative includes 186,800

square feet (GLA) of retail space, 80,000 square feet (GLA) of entertainment space, 113,300 square feet (GLA) of office space, a 401,500 square foot (GLA) Bloomingdale's department store, and a 196-room, 174,000 square foot hotel.

- EIR Alternative E – This alternative, also known as the Existing Planning Controls Alternative, preserves the Emporium and Annex buildings, but maximizes the development, to the extent permitted under existing planning controls, in the area south of Jessie Street. This alternative includes 272,300 square feet (GLA) of retail space, 39,100 square feet (GLA) of entertainment space, 257,200 square feet (GLA) of office space, and a 360,200 square foot (GLA) Bloomingdale's department store.

- Historic Preservation Alternative (Retail) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily retail, with some office space.

- Historic Preservation Alternative (Office) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily office, with some retail space on the first two floors.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney,
Senior Project Manager
Yerba Buena Center

EXHIBIT 1
SUMMARY OF HISTORIC RETENTION AND RESTORATION COSTS
(Based on Swinerton & Walberg 3/16/00 Cost Estimates)

Dome and Rotunda Restoration	$4,036
Market Street Façade	1,920
Historic Building Retention	8,021
Subtotal – Hard Costs per Swinerton Estimates	13,977
Construction Contingency @ 10%	1,398
Subtotal	15,375
Indirect Costs @ 19.5%[1]	3,002
Total Development Cost Before Financing	18,377
Financing Costs @ 19.2%[2]	2,956
Total Development Cost	$21,333

[1] Percentage rate estimated to include architectural, engineering, legal, insurance, taxes, public permits and fees, development management fees, and EIR. Actual architectural and engineering costs will likely be disproportionately high for historic work.

[2] Average rate per project pro forma ($^{33,270}/_{173,000}$). As many of the historic preservation costs will occur, early on, the actual carrying costs will probably be higher.

03030.001.0030.a

Federated
DEPARTMENT STORES, INC.

7 West Seventh Street • Cincinnati, Ohio 45202-2471

September 9, 1999

Mr. Bill Carney
San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102

Subject: 835 Market Street and Associated Properties

Dear Bill:

Federated Department Stores, through its subsidiary Bloomingdale's, Inc. successor to Broadway Stores, Inc., is the owner of the Emporium Building at 835 Market Street, Assessor's Block No. 3705, Lot No. 43, and other properties on this block formerly used in conjunction with the Emporium Department Store, specifically, Lots Nos. 13 through 18, 33 and 38.

Federated acquired Broadway Stores Inc. in 1995. Due to significant losses, the Emporium Department Store was closed shortly thereafter.

Obviously, the subject property is a significant asset which Federated would very much like to put to productive use. In the nearly 4 years since our acquisition of Broadway Stores, Federated has thoroughly analyzed the potential for rehabilitation of the Emporium Building and associated properties for use as a department store. Based on this analysis, we have concluded that the tremendous investment which would be required to rehabilitate the building as a department store cannot be economically justified. In short, the cost to bring to modern department store standards the historic, unreinforced masonry building, with its closely spaced columns and other challenges, is simply prohibitive.

For this reason, we sought the assistance of Forest City Development to help identify a developable project for the Emporium property and other property, and to carry out the development of a new department store and complementary uses.

Please do not hesitate to call, if I can be of any further assistance.

Very truly yours,

Gary J. Nay
Vice President - Real Estate

GAW2412

TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288.7 Million

		Construction Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)					$160,240,340							
Refinance Assumptions												
Indicated Loan Supported at 10% Interest rate					$160,240,340							
Less Cost of Sale/refinance	2.0%				($3,204,807)							
Less Greater of Total Development Cost/Previous Loan Amount					($288,666,667)							
Net Proceeds for Distribution					($129,831,133)							
Net Operating Income Less Capital Expenditures			$20,606,910	$21,647,087	$22,949,380	$25,233,153	$26,138,663	$26,040,646	$29,406,970	$29,394,196	$29,265,766	$32,669,340
Tax Increment Rebate to FC (1)			$2,762,397	$2,972,697	$3,277,166	$3,342,195	$3,406,606	$3,496,130	$3,664,666	$3,636,656	$3,706,619	$3,776,866
Total Revenue and Tax Increment Rebate			$23,371,316	$24,620,584	$26,226,546	$26,575,346	$26,547,161	$29,535,975	$33,063,625	$33,029,754	$32,991,274	$36,446,206
Preferred Return to Forest City			$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
City Participation Summary (2)												
Sale/Refi			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation In NOI (after FC Preferred Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Annual City Participation			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maximum City Participation Calculation												
Simple Interest Rate	12 0%											
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TI Disbursed Less Participation		$1,977,027	$2,762,397	$2,972,697	$3,277,166	$3,342,196	$3,406,606	$3,498,130	$3,664,666	$3,636,666	$3,706,619	$3,776,866
Cumulative TI Disbursed less Participation		$1,977,027	$4,739,424	$7,712,021	$10,989,187	$14,331,362	$17,739,690	$21,238,020	$24,799,676	$28,436,233	$32,140,762	$35,917,616
Interest on Prior Cumulative TI Disbursed		$0	$237,243	$568,731	$925,443	$1,318,702	$1,719,766	$2,126,787	$2,646,202	$2,976,961	$3,412,226	$3,856,890
Cumulative Interest		$0	$237,243	$806,974	$1,731,417	$3,060,119	$4,789,666	$6,696,672	$9,446,674	$12,422,636	$15,836,063	$19,691,964
Cumulative TI + Interest less Participation		$1,977,027	$4,976,667	$6,617,995	$12,720,604	$17,361,501	$22,609,776	$26,133,692	$34,246,649	$40,666,066	$47,976,616	$55,609,572
Note: Participation ceases when this line becomes zero.												
Summary of FC Returns												
Forest City Cash Flow (NOI (after participation)+ TI)			23,371,316	24,620,584	26,226,546	26,575,340	26,547,161	29,635,975	33,063,625	33,029,754	32,991,274	36,446,206
Forest City Return on Development Cost (after Participation)			8 2%	8 7%	9.1%	10 0%	10 0%	10.3%	11.6%	11.5%	11.5%	12.7%
Shortfall Calculation (with Simple Interest)												
Balance Available for Distribution/(Shortfall)			($11,028,684)	($10,679,416)	($6,173,454)	($5,624,652)	($5,652,639)	($4,664,026)	($1,336,376)	($1,370,246)	($1,408,726)	$2,046,206
Prior Year Cumulative Shortfall			$0	($11,028,684)	($21,931,642)	($32,677,966)	($41,656,407)	($51,661,991)	($61,661,102)	($68,358,246)	($76,326,626)	($82,497,913)
Int Carry on Prior Year Cum. Shortfall (at 12% simple interest)			$0	($1,323,442)	($2,472,972)	($3,453,767)	($4,162,745)	($4,656,066)	($6,436,766)	($5,599,133)	($5,763,663)	($5,932,610)
Balance to be Distributed/(Shortfall)			($11,028,684)	($21,031,642)	($32,677,088)	($41,666,407)	($51,661,991)	($61,661,102)	($68,358,246)	($76,326,625)	($82,497,613)	($86,384,316)
Summary of TI Rebate to FC (3)												
Tax Increment Rebate to Forest City	--	$1,977,027	$2,762,397	$2,972,697	$3,277,166	$3,342,196	$3,406,606	$3,496,130	$3,664,666	$3,636,666	$3,706,619	$3,776,866
Present Value Factor (to start of operations)		NA	93 0%	86 6%	80 6%	74 9%	69 7%	64.8%	60 3%	56.1%	52 2%	48 6%
PV of Annual TI Rebate at 7 6%		$1,977,027	$2,569,672	$2,572,265	$2,637,969	$2,602,637	$2,374,226	$2,264,710	$2,146,613	$2,036,466	$1,932,737	$1,632,612
PV of Cumulative TI Rebate at 7 6% (to start of op)		$1,077,027	$4,646,609	$7,118,064	$9,756,075	$12,259,611	$14,633,838	$16,666,646	$19,047,169	$21,085,626	$23,018,362	$24,850,878

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Notes:
(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $398.2 mm and total incremental value of $316.2mm (2000$)
2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35 0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35 0%
3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7.5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi

Emporium Site San Francisco

35% City Participation

Scenario: Preferred Alternative

Assuming Net Capped Development Cost of $286.7 Million

		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$252,651,627							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$252,651,627							
Less Cost of Sale/refinance	2 0%			($5,053,033)							
Less Greater of Total Development Cost/Previous Loan Amount				($286,666,667)							
Net Proceeds for Distribution				($39,068,073)							
Net Operating Income Less Capital Expenditures		$32,553,175	$32,432,945	$36,164,365	$36,055,592	$35,922,290	$40,061,579	$39,938,783	$39,790,990	$44,402,468	$44,244,148
Tax Increment Rebate to FC (1)		$3,849,625	$980,398	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increment Rebate		$36,402,800	$33,413,340	$36,164,365	$36,055,592	$35,922,290	$40,061,579	$39,938,783	$39,790,990	$44,402,468	$44,244,148
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$0	$0	$0	$0	$0	$0	$0	$0	$10,002,468	$9,844,148
City Participation Summary (2)											
Sale/Refi		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Total Annual City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Maximum City Participation Calculation											
Simple Interest Rate	12 0%										
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
TI Disbursed Less Participation		$3,849,625	$980,398	$0	$0	$0	$0	$0	$0	($3,500,863)	($3,445,451)
Cumulative TI Disbursed less Participation		$39,767,243	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$37,246,776	$33,801,324
Interest on Prior Cumulative TI Disbursed		$4,310,114	$4,772,069	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,469,613
Cumulative Interest		$24,002,066	$28,774,137	$33,663,854	$38,553,570	$43,443,287	$48,333,004	$53,222,720	$58,112,437	$63,002,153	$67,471,767
Cumulative TI + Interest less Participation		$63,769,311	$69,521,776	$74,411,492	$79,301,209	$84,190,926	$89,080,642	$93,970,359	$98,860,076	$100,248,929	$101,273,091
Note Participation ceases when this line becomes zero											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation)+ TI]		36,402,800	33,413,340	36,164,365	36,055,592	35,922,290	40,061,579	39,938,783	39,790,990	40,901,605	40,798,696
Forest City Return on Development Cost (after Participation)		12 7%	11 7%	12 6%	12 6%	12 5%	14 0%	13 9%	13 9%	14 3%	14 2%
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)		$2,002,800	($986,660)	$1,764,365	$1,655,592	$1,522,290	$5,661,579	$5,538,783	$5,390,990		
Prior Year Cumulative Shortfall		($88,384,318)	($90,068,883)	($96,501,972)	($100,282,715)	($103,978,128)	($107,608,167)	($106,906,244)	($105,645,328)		
Int Carry on Prior Year Cum Shortfall (at 12% simple interest)		($5,887,065)	($5,446,729)	($5,585,129)	($5,351,002)	($5,182,331)	($4,959,657)	($4,287,867)	($3,623,213)		
Balance to be Distributed/(Shortfall)		($90,068,883)	($96,501,972)	($100,282,715)	($103,978,128)	($107,608,167)	($106,906,244)	($105,645,328)	($103,877,551)		
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City		$3,849,625	$980,398	$0							
Present Value Factor (to start of operations)		45 1%	42 0%	39 1%							
PV of Annual TI Rebate at 7 5%		$1,737,502	$411,823	$0							
PV of Cumulative TI Rebate at 7 5% (to start of op)		$26,888,377	$27,000,000	$27,000,000							

Notes:

(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273 1 million, total development cost of $581 7 mm and total incremental value of $516 2mm (2000$)

(2) City Participation Assumptions

City Participation in Sale/Refi (of net proceeds)	35 0%
Participation in NOI	
Return on cost over 12% (NOI after FC Pref Return)	35 0%

(3) Construction period TI Rebate per Seifel 6/06/2000 analysis inflated to start of operations at 7 5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288.7 Million

		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$342,257,347							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$342,257,347							
Less Cost of Sale/refinance	2.0%			($6,845,147)							
Less Greater of Total Development Cost/Previous Loan Amount				($286,666,667)							
Net Proceeds for Distribution				$48,745,534							
Net Operating Income Less Capital Expenditures		$44,080,286	$49,193,115	$49,017,582	$48,835,905	$54,504,590	$54,309,974	$54,108,546	$60,393,518	$60,177,743	$59,954,416
Tax Increment Rebate to FC (1)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increment Rebate		$44,080,286	$49,193,115	$49,017,582	$48,835,905	$54,504,590	$54,309,974	$54,108,546	$60,393,518	$60,177,743	$59,954,416
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$9,680,286	$14,793,115	$14,617,582	$14,435,905	$20,104,590	$19,909,974	$19,708,546	$25,993,518	$25,777,743	$25,554,416
City Participation Summary (2)											
Sale/Refi		$0	$0	$17,060,937	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$3,388,100	$5,177,590	$5,116,153	$5,052,567	$7,036,608	$6,988,490	$6,897,991	$9,097,731	$9,022,210	$8,944,045
Total Annual City Participation		$3,388,100	$5,177,590	$22,177,090	$5,052,567	$7,036,608	$6,988,490	$6,897,991	$9,097,731	$9,022,210	$8,944,045
Maximum City Participation Calculation											
Simple Interest Rate	12.0%										
City Participation		$3,388,100	$5,177,590	$22,177,090	$5,052,567	$7,036,608	$6,988,490	$6,897,991	$9,097,731	$9,022,210	$8,944,045
TI Disbursed Less Participation		($3,388,100)	($5,177,590)	($22,177,090)	($5,052,567)	($7,036,608)	($6,988,490)	($6,897,991)	($9,097,731)	($9,022,210)	($8,944,045)
Cumulative TI Disbursed less Participation		$30,413,224	$25,238,838	$3,088,848	($1,994,022)	($9,030,828)	($16,999,119)	($22,597,109)	($31,994,840)	($41,017,050)	($49,961,098)
Interest on Prior Cumulative TI Disbursed		$4,056,159	$3,649,587	$3,028,276	$367,025	$0	$0	$0	$0	$0	$0
Cumulative Interest		$71,527,925	$75,177,512	$78,205,788	$78,572,814	$78,572,814	$78,872,814	$78,672,814	$78,872,814	$78,872,814	$78,872,814
Cumulative TI + Interest less Participation		$101,941,150	$100,413,147	$81,284,333	$76,576,792	$69,542,186	$62,573,695	$55,675,705	$46,577,974	$37,555,764	$28,611,719
Note: Participation ceases when this line becomes zero.											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation)+ TI]		40,692,186	44,015,525	75,586,025	43,783,339	47,467,984	47,341,483	47,210,555	51,295,787	51,155,533	51,010,371
Forest City Return on Development Cost (after Participation)		14.2%	15.4%	26.4%	15.3%	16.6%	16.5%	16.5%	17.9%	17.8%	17.8%
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)											
Prior Year Cumulative Shortfall											
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)											
Balance to be Distributed/(Shortfall)											
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City											
Present Value Factor (to start of operations)											
PV of Annual TI Rebate at 7.5%											
PV of Cumulative TI Rebate at 7.5% (to start of op.)											

Notes:
(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $384.2 mm and total incremental value of $316.2mm (2000$).
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation at NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
(3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7.5%/year

[illegible] DOC\NEWTERM.WK4 [Participation]

TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi

Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288 7 Million

		Year 31	Year 32	Year 33
Loan Supported (at 10%I, 1 30 DCR, 25Y amort.)				$467,160,967
Refinance Assumptions				
Indicated Loan Supported at 10% Interest rate				$467,160,967
Less Cost of Sale/refinance	2 0%			($9,343,220)
Less Greater of Total Development Cost/Previous Loan Amount				($342,257,347)
Net Proceeds for Distribution				$115,560,420
Net Operating Income Less Capital Expenditures		$66,906,093	$66,906,093	$66,906,093
Tax Increment Rebate to FC (1)		$0	$0	$0
Total Revenue and Tax Increment Rebate		$66,906,093	$66,906,093	$66,906,093
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$32,506,093	$32,506,093	$32,506,093
City Participation Summary (2)				
Sale/Refi		$0	$0	$5,657,454
Participation in NOI (after FC Preferred Return)		$11,377,132	$11,377,132	$0
Total Annual City Participation		$11,377,132	$11,377,132	$5,657,454
Maximum City Participation Calculation				
Simple Interest Rate	12 0%			
City Participation		$11,377,132	$11,377,132	$5,657,454
TI Disbursed Less Participation		($11,377,132)	($11,377,132)	($5,657,454)
Cumulative TI Disbursed less Participation		($61,338,227)	($72,715,360)	($78,572,814)
Interest on Prior Cumulative TI Disbursed		$0	$0	$0
Cumulative Interest		$78,572,814	$78,572,814	$78,572,814
Cumulative TI + Interest less Participation		$17,234,587	$5,657,454	$0
Note: Participation ceases when this line becomes zero.				
Summary of FC Returns				
Forest City Cash Flow (NOI (after participation)+ TI)		55,528,961	55,528,961	176,609,059
Forest City Return on Development Cost (after Participation)		19 4%	19 4%	61 8%
Shortfall Calculation (with Simple Interest)				
Balance Available for Distribution/(Shortfall)				
Prior Year Cumulative Shortfall				
Int Carry on Prior Year Cum. Shortfall (at 12% simple interest)				
Balance to be Distributed/(Shortfall)				
Summary of TI Rebate to FC (3)				
Tax Increment Rebate to Forest City				
Present Value Factor (to start of operations)				
PV of Annual TI Rebate at 7 5%				
PV of Cumulative TI Rebate at 7 5% (to start of op)				

Notes.
(1) Based on 80% net tax increment to Forest City per Seifel 8/08/2000 TI Projections, which assumes Forest City development cost of $273 1 million, total development cost of $384 2 mm and total incremental value of $318 2mm (2000$)
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35 0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35 0%
(3) Construction period TI Rebate per Seifel 8/08/2000 analysis, inflated to start of operations at 7 5%/year

Item 7 – File 00-1479

Department: Public Utilities Commission (PUC)

Item: Resolution approving the expenditure of $558,000 for emergency work to design and construct slope and stream bank restoration and an energy dissipation structure in the San Mateo Creek.

Amount: $558,000

Source of Funds: Previously appropriated surplus FY 1999-2000 Water Enterprise Capital Project Funds.

Description: On June 24, 1999, the PUC declared an emergency, requiring immediate stream bank restoration and installation of an energy dissipation structure[1] at an eroded stream bank in San Mateo Creek, at the base of the Crystal Springs Dam. The erosion was caused by discharge pipes used to regulate the volume of water in the Crystal Springs Reservoir. According to Mr. Nelson, prior to the commencement of construction on the Project, California Red-Legged Frogs, a species currently on the federal Endangered Species list, were discovered at the construction site. The PUC was forced to delay the project until appropriate environmental permits from the California Fish and Game and the U.S. Fish and Wildlife Departments could be obtained. By the time these permits were obtained, there was insufficient time remaining for planned construction, so the PUC opted to delete construction of the dissipation structure and to proceed with stream bank restoration, which could be completed by the California Fish and Game Department's October 15 deadline.

Because of very high rainfalls in the winters of 1997 and 1998, large amounts of water were released from the Crystal Springs Dam discharge valves during those periods. The releases resulted in a partial undermining of the slope above the stream bank. Without the repair performed under this declaration of emergency, future

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[1] An energy dissipation structure is a structure designed to slow and dissipate water discharges to prevent erosion.

releases of excess water would have resulted in erosion that would likely have caused increasing portions of the slope above the stream to fall into San Mateo Creek. The emergency work was therefor undertaken in the fall of 1999 so that it would be completed before the start of the 1999 rainy season.

In accordance with Section 6.30(2) of the Administrative Code of the City and County of San Francisco, the PUC initiated expedited contract procedures and awarded a contract to JMB Construction, Inc. for construction and design work on the emergency project. The project was completed on October 15, 1999.

The proposed resolution would approve the expenditure of $558,000 for emergency work to design and construct slope and stream bank restoration and erosion protection for the San Mateo Creek.

Budget:

The total project costs for this emergency work of $558,988.86 is as follows:

Design and Construction Contract	$410,515.86
Environmental Services Consultant	77,088.00
Construction Management, performed by PUC	41,600.00
Project Management, performed by PUC	29,785.00
Total	$558,988.86

Attachment I, provided by the PUC, contains expenditure details for the design and construction contract. Attachment II, provided by the PUC, contains details regarding environmental services (see Comment No. 4). Attachment III, provided by the PUC, contains details regarding project management performed by the PUC.

Comments:

1. According to Mr. Chris Nelson of the PUC, two bids were received by the PUC for the subject emergency work. The PUC reports that JMB Construction, Inc., a certified woman business enterprise firm (WBE), submitted the lowest bid and was awarded the contract in the amount of $503,300. Mr. Nelson states that subsequent to the award of the contract, the nature and type of repair work

needed for the project changed. The construction work actually completed on the project totaled $410,515.86.

2. Mr. Nelson states that the repairs, which were completed in October of 1999, are temporary in nature, and that eventually a permanent energy dissipation structure will need to be constructed. According to Mr. Nelson, funds for this construction project were included in the PUC FY 2000 – 2001 Capital Projects budget.

3. According to the documents provided by the PUC, the cost for the subject project is $558,988.86. The proposed resolution states that the project cost is $558,000. Therefore, the proposed resolution should be amended to provide for the correct project cost of $558,988.86 instead of $558,000.

4. According to Mr. Nelson, the environmental services consultant, EA Engineering, Science, and Technology, was selected for the subject project because they have a continuing contract with the City, and are utilized on an as-needed basis. Mr. Nelson states that the expenditures of EA Engineering, Science, and Technology shown in Attachment II do not include a) unanticipated cost overruns in the amount of $7,807, which include increased coordination due to project alteration and unanticipated permit fees, and b) $3,299 in project management and coordination costs borne by the Department of Public Works, Bureau of Construction Management, which oversaw the environmental services consultant contract. These two expenses, when added with the $65,982 in expenditures shown in Attachment II, result in a total environmental services cost of $77,088.

Recommendations:

1. Amend the proposed resolution to increase the project cost from $558,000 to $558,988.86 to reflect the actual project cost (see Comment No. 3).

2. Approve the proposed resolution, as amended.

BOARD OF SUPERVISORS
BUDGET ANALYST

Attachment I

Contract No. WD-2306E
San Mateo Creek Restoration and
Temporary Energy Dissipation Structure
San Mateo County

Awarded to. JMB CONSTRUCTION, INC.
150 Executive Park Blvd. Ste. 4400
San Francisco Ca. 94134

PUBLIC UTILITIES COMMISSION
UTILITIES ENGINEERING BUREAU
ENGINEERS FINAL ESTIMATE

Controller's No: ENUW00000005
PUC Account No: 521123

Sheet 1 of 1

FINAL PAYMENT
Period Ending. 01/31/00
Date: 02/04/00

		CONTRACT				PREVIOUS AMOUNT		THIS MONTH		TO DATE	
	Description	Units	Unit Price	Quant	$ Amount	Quant	$ Amount	Quant	$ Amount	Quant	$ Amount
1	Mobilization	L.S	$18,900.00	1	$18,900.00	1	$18,900.00	0	$0.00	1	$18,900.00
2	Demobilization)	L.S.	$6,600.00	1	$6,600.00	1	$6,600.00	0	$0.00	1	$6,600.00
3	Clear & Grub Site	L.S	$8,700.00	1	$8,700.00	1	$8,700.00	0	$0.00	1	$8,700.00
4	Remove 3 Existing Concrete Piers	L.S	$1,000.00	1	$1,000.00	0	$0.00	0	$0.00	0	$0.00
5	Excavate, Haul & Dispose of Material in Creek	C.Y.	$15.00	200	$3,000.00	0	$0.00	0	$0.00	0	$0.00
6	Placing/Compacting Import Material, Top Soil	C.Y.	$35.00	200	$7,000.00	151	$5,285.00	0	$0.00	151	$5,285.00
7	Placing Import Material, Large Rip-Rap	TON	$50.00	3000	$150,000.00	3544	$177,200.00	0	$0.00	3544	$177,200.00
12	Interlocking Sheet Piles (Alternative B)	L.S.	$33,900.00	1	$33,900.00	0	$0.00	0	$0.00	0	$0.00
13	Additional Sheet Pile (Alternative B)	S.F.	$25.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
14	Temporary Dewatering	L.S	$3,000.00	1	$3,000.00	0	$0.00	0	$0.00	0	$0.00
15	Vegitation Restoration	L.S	$25,000.00	1	$25,000.00	90.2%	$22,550.00	0	$0.00	90.2%	$22,550.00
16	Fencing	L.F.	$50.00	150	$7,500.00	0	$0.00	0	$0.00	0	$0.00
17	Additional Work as Directed by Engineer	L.S	$100,000.00	1	$100,000.00	35.9%	$35,880.86	0	$0.00	35.9%	$35,880.86
18	Design Engineering, Geotechnical, Survey and Landscape Design	L.S.	$138,700.00	1	$138,700.00	95.5%	$132,400.00	2.2%	$3,000.00	97.7%	$135,400.00
			TOTALS		$503,300.00	81.0%	$407,515.86	0.6%	$3,000.00	81.6%	$410,515.86

INSURANCE EXPIRATION DATES

GL: AL: WC:

PREPARED BY: G.N. 4/4/00 CHECKED BY:________

APPROVED BY:________
Chris Nelson, Project Manager

APPROVED BY:________
Boon Lim, Manager, Construction Division

RETENTION 0%	$0.00	$0.00
RELEASE OF RETENTION	$1,000.00	
LESS INSPECTION COSTS		
AMOUNT DUE CONTRACTOR	0	$410,515.86
LESS PREVIOUS PAYMENTS		$406,515.86
AMOUNT AUTHORIZED	$4,000.00	$4,000.00

MATEO CREEK RESTORATION PROJECT/CRYSTAL SPRINGS PUMPING FACI

Permitting and biological assessment support for creek bank erosion repair

TASK 1				
Field reconnaissance,				
PRINCIPAL	5	$150.00		$750
SENIOR ENG/GEO/SCI	5	$100.00		$500
ASSOCIATE ENG/GEO/SCI	8	$85.00		$680
PROJECT ENG/GEO/SCI	24	$75.00		$1,800
STAFF ENG/GEO/SCI	0	$65.00		$0
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	5	$45.00		$225
ADMIN/CLERICAL	1	$35.00		$35
			Subtotal	$3,990
TASK 2				
Preparation of permits for US Army Corps of Engineers, California				
PRINCIPAL	30	$150.00		$4,500
SENIOR ENG/GEO/SCI	8	$100.00		$800
ASSOCIATE ENG/GEO/SCI	40	$85.00		$3,400
PROJECT ENG/GEO/SCI	40	$75.00		$3,000
STAFF ENG/GEO/SCI	40	$65.00		$2,600
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	10	$45.00		$450
ADMIN/CLERICAL	20	$35.00		$700
PERMIT FEES	1	$1,162.00		$1,162
			Subtotal	$16,612
TASK 3				
Biological assessment, preparation of red-legged frog capture and relocation plan				
PRINCIPAL	10	$150.00		$1,500
SENIOR ENG/GEO/SCI	5	$100.00		$500
ASSOCIATE ENG/GEO/SCI	40	$85.00		$3,400
PROJECT ENG/GEO/SCI	60	$75.00		$4,500
STAFF ENG/GEO/SCI	20	$65.00		$1,300
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	8	$45.00		$360
ADMIN/CLERICAL	14	$35.00		$490
			Subtotal	$12,850
TASK 4				
Preparation of CEQA categorical exemption				
PRINCIPAL	2	$150.00		$300
SENIOR ENG/GEO/SCI	12	$100.00		$1,200
ASSOCIATE ENG/GEO/SCI	0	$85.00		$0
PROJECT ENG/GEO/SCI	0	$75.00		$0
STAFF ENG/GEO/SCI	0	$65.00		$0
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	2	$45.00		$90
ADMIN/CLERICAL	4	$35.00		$140
			Subtotal	$1,730
TASK 5				
Implementation of red-legged frog capture and relocation plan				
PRINCIPAL	10	$150.00		$1,500
SENIOR ENG/GEO/SCI	5	$100.00		$500
ASSOCIATE ENG/GEO/SCI	40	$85.00		$3,400
PROJECT ENG/GEO/SCI	40	$75.00		$3,000
STAFF ENG/GEO/SCI	16	$65.00		$1,040
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	4	$45.00		$180
ADMIN/CLERICAL	4	$35.00		$140
			Subtotal	$9,760
TASK 6				
On-site monitoring during and post construction				
PRINCIPAL	8	$150.00		$1,200
SENIOR ENG/GEO/SCI	5	$100.00		$500
ASSOCIATE ENG/GEO/SCI	24	$85.00		$2,040
PROJECT ENG/GEO/SCI	200	$75.00		$15,000
STAFF ENG/GEO/SCI	40	$65.00		$2,600
TECHNICIAN	0	$50.00		$0
GRAPHICS SUPPORT	8	$45.00		$360
ADMIN/CLERICAL	4	$35.00		$140
			Subtotal	$21,840
		TOTAL		$66,782

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
UTILITIES ENGINEERING BUREAU
1000 EL CAMINO REAL, MILLBRAE, CALIFORNIA 94030
TEL (650) 872-5986 • FAX (650) 871-2000 • www.ci.sf.ca.us

MEMORANDUM

Date: September 12, 2000

To: Daley Dunham, Budget Analyst's Office

From: Chris Nelson

Subject: **SFWD Project W112-03, Contract WD2306E San Mateo Creek Bank Restoration & Energy Dissipation Structure**

This is to provide detail of Total Project Costs. Consultant design services and construction work, both performed under Contract WD2306E, made up the majority of Project Costs, $410,515. Environmental consulting and biological monitoring was provided through a DPW as-needed Contract at the total cost of $77,100. The remaining $70,385 that was charged against the project was for PUC staff costs for construction management and inspection services ($41,600) and for project management ($29,785) for a project total cost of $557,900. * SFPUC construction management and inspection services were provided by Construction Inspectors, classification 6318, who charged a total of 595 hours at a rate of $69.92 per hour. SFPUC project management services were provided by a Project Manager II, classification 5504, who charged a total of 336 hours at a rate of $88.72.

Please call me at 650 872 5985 should you need any further information.

*Actual project total is $558,988.86.

Items 8, 9 and 10 - Files 00-1429, 00-1430, 00-1431

Department: Department of Administrative Services (DAS)
Division of Real Estate (DRE)

Items: Item 8, File 00-1429: Resolution authorizing and approving a lease of cellular transmitter space at the Performing Arts Garage to Sprint Spectrum Limited Partnership.

Item 9, File 00-1430: Resolution authorizing and approving a lease of cellular transmitter space at the Pierce Street Garage to Sprint Spectrum Limited Partnership.

Item 10, File 00-1431: Resolution authorizing and approving a lease of cellular transmitter space at the Fire Department Station 43 to Sprint Spectrum Limited Partnership.

Locations: Item 8, File 00-1429: The Performing Arts Garage, administered by the Parking Authority and located on the northeast corner of Grove and Gough Streets (Assessors Block 792, Lot 29).

Item 9, File 00-1430: The Pierce Street Garage, administered by the Department of Parking and Traffic and located on Pierce Street, between Lombard and Chestnut Streets (Assessor's Block 490, Lots 9-13).

Item 10, File 00-1431: Fire Department, Station 43, located at 720 Moscow Street, between France and Italy Streets (Assessor Block 7338, Lot 24).

Purpose of Leases: To allow Sprint Spectrum Limited Partnership to place cellular telephone transmitters on several City buildings (discussed below).

Lessor: City and County of San Francisco

Lessee: Sprint Spectrum Limited Partnership (SSLP)

No. of Sq. Ft. and Rent Per Month:	<u>Item 8, File 00-1429:</u> Approximately 375 square feet at \$3,000 per month (\$36,000 annually) <u>Item 9, File 00-1430</u>: Approximately 500 square feet at \$3,000 per month (\$36,000 annually) <u>Item 10, File 00-1431</u>: Approximately 250 square feet at \$2,500 per month (\$30,000 annually, see Comment No. 1)
Annual Rent Payable by Sprint Spectrum to The City:	<u>Items 8 and 9, Files 00-1429 and 00-1430</u>: \$36,000 per year, per lease <u>Item 10, File 00-1431</u>: \$30,000 per year (see Comment No. 1) Beginning in the year 2001, and for the remaining four years of each of the three proposed leases, the base rent will be adjusted every July 1st by the annual percentage increase in the Consumer Price Index (CPI). The monthly base rent on or after the adjustment date cannot be less than the monthly base rent in effect immediately prior to the adjustment date.
Term of Leases:	The three proposed leases with Sprint Spectrum would commence upon approval by the Board of Supervisors and the Mayor, and the earlier of: (1) 30 days following the tenant's written notice to the City that it has obtained all permits and approvals necessary for the tenant to be legally entitled to construct a facility for providing cellular telephone services; or, (2) 30 days following the date the tenant begins construction of the communications facilities for those phases for which SSLP has already received building permits (e.g. electrical wiring). The proposed leases are expected to commence in Fall of 2000 and would expire five years after the commencement date (in Fall of 2005).

Rights of Renewal: Under the terms of each of the proposed leases, the tenant would have three options to extend each lease for five years, for a total maximum lease term of 20 years per lease. Prior to each 5-year option, the base rent would be adjusted to equal the fair market rent of the subject property. This adjustment would be determined by the Department of Real Estate (DRE), using a market survey approach for comparable space leased for cellular telephone transmitters. Attachment I, provided by DRE, states how DRE sets its rental rates for such cellular telephone transmitters.

Utilities and Janitorial Provided by Lessor: The lessee will pay for the costs of all utilities and janitorial services for each of the three proposed leases.

Tenant Improvements: Upon commencement of the subject leases, SSLP will install at its own cost its cellular equipment on the three subject City buildings.

Descriptions: Item 8, File 00-1429: The proposed resolution would authorize a 5-year lease between the City and Sprint Spectrum Limited Partnership (SSLP) for space on top of the Performing Arts Garage, located on the northeast corner of Grove and Gough Streets (Assessors Block 792, Lot 29).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter, including six transmitter cabinets on the top deck of the Performing Arts Garage and nine antennae panels attached to the outside of the parapet surrounding the garage's top deck.

Item 9, File 00-1430: The proposed lease would authorize a 5-year lease between the City and SSLP for space on top of the Pierce Street Garage, located on Pierce Street, between Lombard and Chestnut Streets (Assessor's Block 490, Lots 9-13).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter on the top deck of the Pierce Street Garage, including six antennae and the

placement of a transmitter room containing seven cabinets above the stairway in the rear of the parking lot.

Item 10, File 00-1431: The proposed lease would authorize a 5-year lease between the City and SSLP for space on top of the Fire Department Station 43, located at 720 Moscow Street, between France and Italy Streets (Assessor Block 7338, Lot 24).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter on the roof of the Fire Station, including seven transmitter cabinets and nine antennae.

Comments:

1. According to Mr. Larry Jacobson of DRE, the proposed rental rate of $3,000 per month for the first two proposed leases at the Performing Arts Garage and the Pierce Street Garage (Items 9 and 10, Files 00-1429 and 00-1430) and $2,500 per month for the third proposed lease at the Fire Department Station 43 (Item 11, File 00-1431) represent the DRE's current rate for cellular communication site leases and are considered to be fair market value. Attachment I, provided by DRE, states how DRE determines the market rate for cellular transmitter space. According to Mr. Jacobson, the rental value of a cellular communication site is based on the service provided to cellular phone users and the amount of potential phone traffic at specific locations, not on the basis of square feet. The rentable area at each of the three proposed leases varies in size due to the differing size specifications of the equipment needed at each location. The $3,000 monthly rent for each of the first two leases (Performing Arts Garage and the Pierce Street Garage) is $500 more per month than the $2,500 monthly rent for the third lease (Fire Department Station 43) because the first two leases would allow SSLP to service more vehicles than would the third lease, according to Mr. Jacobson.

2. Mr. Jacobson advises that DRE does not complete a competitive bidding process for awarding leases for cellular transmitter space. As stated in Attachment II, provided by DRE, SSLP selected the subject sites as part of the company's City cellular coverage plan. SSLP then requested to lease the cellular transmitter space from the

City, as is the regular procedure, according to Mr. Jacobson.

3. According to Mr. Jacobson, at each of the three proposed locations there is sufficient space for a second cellular phone company to place a transmitter and antenna, as is required by the Federal Communications Commission (FCC).

4. According to Mr. Richard Lee of the Department of Public Health (DPH), Environmental Health Section, DPH reviews a Radiofrequency Radiation Ambient Report for all requests for cellular transmitter space on City and private property in the City. Mr. Lee reports that DPH reviewed reports for the three subject leases to ensure that the radiofrequency radiation levels of each cellular transmitter would comply with standards set by the FCC and the America National Standards Institute (ANSI).

5. Each of the three proposed resolutions authorizes the Director of Property to "...enter into any amendments or modifications to the Lease...that the Director of Property determines, in consultation with the City Attorney, are in the best interest to the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessarily advisable to effectuate the purposes of the lease or this resolution, and are in compliance with all applicable laws, including the Charter."

6. Item 12, File 00-1432, of this report to the Finance and Labor Committee also pertains to a lease for cellular transmitter space between the City and Nextel Communications.

Recommendation: Approve the three proposed resolutions.

Attachment I

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: August 17, 2000

TO: Emily Newman
Budget Analyst Office

FROM: Larry Jacobson
Real Estate Division

SUBJECT: Cell Phone Transmitter Rental Rates

This memorandum is to inform you of the three fees currently applied to cell phone transmitter sites that are large enough for a second cell phone company to co-locate and put a second transmitter in operation.

- $5,000.00 per month: Sites adjacent to US 101 Freeway, I-80 and Bay Bridge approach as well as Doyle Drive and the Golden Gate Bridge, e.g., Hall of Justice, San Francisco General Hospital. Rent is based upon traffic counts of 92,000,000 vehicles per annum on US 101/I-80, and 44,000,000 vehicles per annum on the Golden Gate Bridge.

- $3,000.00 per month: Site covering neighborhoods, e.g., Visitacion Valley, Excelsior, etc, which have large coverage area but low vehicle count on the streets, as well as major high volume streets, e.g., Oak, Fell, Gough, Franklin, Lombard, etc. Rent is based upon Oak-Fell, 25,000,000 vehicles per annum; Gough-Franklin, 22,000,000 vehicles per annum; and Lombard, 13,000,000 vehicles per year.

- $2,000-2,500 per month: Micro coverage for sites in geographically hard to reach areas such as Civic Center Plaza, Laguna Honda Boulevard at Dewey Boulevard intersection, three million vehicles per annum.

If you have any questions please call me at 554-9863.

I/LJ/cellph transmtr rentl BudgtAnalys /wtc

Attachment II

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: September 1, 2000

TO: Emilie Neumann
Budget Analyst's Office

FROM: Larry Jacobson
Senior Real Property Office:

SUBJECT: Siting Cellular Phone Transmitters;
Reason it is impractical to request bids

Each cellular phone company establishes its own set of cells; each cell covers a finite geographic area. The area of the cell, generally round, is affected by both topography and the amount of telephone traffic within any geographic area.

Cellular phone companies have different cell configurations. The cellular phone company determines where to place the transmitter and approaches the property owner.

The City and County of San Francisco can often accommodate cell phone companies on City property - but not always. There may be problems such as finding space for the transmitter equipment, 24-hour access, proximity to neighboring apartment houses, etc. Since cellular phone companies have differing needs for siting cell phone transmitters, it is impractical to request bids for a specific site since generally only one company has an interest in a selected site.

Finally, FCC requirements provide for co-location of cell phone equipment. The companies doing business in San Francisco have approached the City on a number of occasions seeking co-location; however, to date co-location has not occurred on City property.

i/users/LJ/cellph transmtr siting Budgt Analys /wtc

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400

San Francisco, CA 94

TOTAL P.01

Memo to Finance and Labor Committee
September 20, 2000 Finance and Labor Committee

Item 11 - File 00-1432

Department: Department of Administrative Services (DAS)
Division of Real Estate (DRE)

Item: Resolution authorizing and approving a lease of cellular transmitter space at the San Francisco General Hospital Parking Garage to Nextel Communications.

Location: The San Francisco General Hospital Parking Garage, located at 23rd and Utah Streets (Assessor's Block 4219, Lot 1).

Purpose of Lease: To allow Nextel Communications to place cellular telephone transmitters on the San Francisco General Hospital Parking Garage.

Lessor: City and County of San Francisco

Lessee: Nextel Communications

No. of Sq. Ft. and Rent Per Month: Approximately 150 square feet, at $3,000 per month ($36,000 annually, see Comment No. 1)

Annual Rent Payable By Nextel Communications to the City: $36,000 annually. Beginning in the year 2001, and for the remaining four years of the lease, the base rent will be adjusted every July 1st by the annual percentage increase in the Consumer Price Index (CPI). The monthly base rent on or after the adjustment date cannot be less than the monthly base rent in effect immediately prior to the adjustment date.

Term of Lease: The proposed lease with Nextel Communications would commence upon approval by the Board of Supervisors and the Mayor, and the earlier of: (1) 30 days following the tenant's written notice to the City that it has obtained all permits and approvals necessary for the tenant to be legally entitled to construct a facility for providing cellular telephone services; or, (2) 30 days following the date the tenant begins construction of the communications facilities for those phases for which Nextel Communications has already received building permits (e.g. for electrical wiring). The proposed lease is expected to

commence in the Fall of 2000, and would expire five years after the commencement date (in Fall of 2005).

Rights of Renewal: Under the terms proposed lease, the tenant would have three options to extend the lease for five years, for a total maximum lease term of 20 years. Prior to each 5-year option, the base rent would be adjusted to equal the fair market rent of the subject property. This adjustment would be determined by the Department of Real Estate (DRE), using a market survey approach for comparable space leased for cellular telephone transmitters. Attachment I, provided by DRE, explains how DRE sets its rental rates for such cellular telephone transmitters.

Utilities and Janitorial Provided by Lessor: The lessee will pay for the costs of all utilities and janitorial services.

Tenant Improvements: Upon commencement of the subject lease, Nextel Communications will install at its own cost its cellular equipment on the roof of the San Francisco General Hospital Parking Garage.

Description: The proposed resolution would authorize a 5-year lease between the City and Nextel Communications for space on the roof of San Francisco General Hospital Parking Garage, located at 23rd and Utah Streets (Assessor's Block 4219, Lot 1).

Under the subject lease, Nextel Communications proposes to construct and maintain a cellular telephone transmitter, including six transmitter cabinets on the fifth level of General Hospital Parking Garage and six antennae on the roof of the elevator tower.

Comments: 1. According to Mr. Larry Jacobson of DRE, the proposed rental rate of $3,000 per month for the subject lease with Nextel Communications represents DRE's current rate for cellular communication site leases and is considered to be fair market value. According to Mr. Jacobson, the rental value of a cellular communication site is based on the service provided to cellular phone users and the amount of potential phone traffic at specific locations, not on the basis of square feet.

2. Mr. Jacobson advises that DRE does not complete a competitive bidding process for awarding leases for cellular transmitter space. As stated in Attachment II, provided by DRE, Nextel Communications selected the subject site as part of the company's City cellular coverage plan. Nextel Communications then requested to lease the cellular transmitter space from the City, as is the regular procedure, according to Mr. Jacobson.

3. According to Mr. Jacobson, the location of the subject lease on the General Hospital Parking Garage contains sufficient space for a second cellular phone company to place a transmitter and antenna, as is required by the Federal Communications Commission (FCC).

4. According to Mr. Richard Lee of the Department of Public Health (DPH), Environmental Health Section, DPH reviews a Radiofrequency Radiation Ambient Report for all requests for cellular transmitter space on City property and privately-owned property in the City. Mr. Lee reports that DPH reviewed the report for the subject lease to ensure that the radio-frequency radiation levels of the proposed cellular transmitter would comply with standards set by the FCC and the America National Standards Institute (ANSI).

5. The proposed resolution authorizes the Director of Property to "...enter into any amendments or modifications to the Lease...that the Director of Property determines, in consultation with the City Attorney, are in the best interest to the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessarily advisable to effectuate the purposes of the lease or this resolution, and are in compliance with all applicable laws, including the Charter."

Recommendation: Approve the proposed resolution.

Attachment I

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: August 17, 2000

TO: Emily Newman
Budget Analyst Office

FROM: Larry Jacobson
Real Estate Division

SUBJECT: Cell Phone Transmitter Rental Rates

This memorandum is to inform you of the three fees currently applied to cell phone transmitter sites that are large enough for a second cell phone company to co-locate and put a second transmitter in operation.

- $5,000.00 per month: Sites adjacent to US 101 Freeway, I-80 and Bay Bridge approach as well as Doyle Drive and the Golden Gate Bridge, e.g., Hall of Justice, San Francisco General Hospital. Rent is based upon traffic counts of 92,000,000 vehicles per annum on US 101/I-80, and 44,000,000 vehicles per annum on the Golden Gate Bridge.

- $3,000.00 per month: Site covering neighborhoods, e.g., Visitacion Valley, Excelsior, etc, which have large coverage area but low vehicle count on the streets, as well as major high volume streets, e.g., Oak, Fell, Gough, Franklin, Lombard, etc. Rent is based upon Oak-Fell, 25,000,000 vehicles per annum; Gough-Franklin, 22,000,000 vehicles per annum; and Lombard, 13,000,000 vehicles per year.

- $2,000-2,500 per month: Micro coverage for sites in geographically hard to reach areas such as Civic Center Plaza, Laguna Honda Boulevard at Dewey Boulevard intersection, three million vehicles per annum.

If you have any questions please call me at 554-9863.

I/LJ/cellph transmtr rentl BudgtAnalys /wtc

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: September 1, 2000

TO: Emilie Neumann
Budget Analyst's Office

FROM: Larry Jacobson
Senior Real Property Office

SUBJECT: Siting Cellular Phone Transmitters;
Reason it is impractical to request bids

Each cellular phone company establishes its own set of cells; each cell covers a finite geographic area. The area of the cell, generally round, is affected by both topography and the amount of telephone traffic within any geographic area.

Cellular phone companies have different cell configurations. The cellular phone company determines where to place the transmitter and approaches the property owner.

The City and County of San Francisco can often accommodate cell phone companies on City property - but not always. There may be problems such as finding space for the transmitter equipment, 24-hour access, proximity to neighboring apartment houses, etc. Since cellular phone companies have differing needs for siting cell phone transmitters, it is impractical to request bids for a specific site since generally only one company has an interest in a selected site.

Finally, FCC requirements provide for co-location of cell phone equipment. The companies doing business in San Francisco have approached the City on a number of occasions seeking co-location; however, to date co-location has not occurred on City property.

i/users/LJ/cellph transmtr siting Budgt Analys /wto

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Office of the Director of Property
25 Van Ness Avenue, Suite 400

San Francisco, CA 94

TOTAL P.01

<u>Item 12 – File 00-1533</u>

Department: Mayor's Office of Community Development (MOCD)

Item: Hearing to request release of reserves in the amount of $43,581 to be used to update the City's 5 Year Continuum of Care Plan, increase the number of technical assistance hours available and add workshops for MOCD-funded nonprofit organizations in need of capacity building assistance.

Amount: $43,581

Source of Funds: Funds reserved by the Board of Supervisors in the Fiscal Year 2000-2001 Community Development Block Grant (CDBG).

Description: In April of 2000, MOCD's proposed budget requested a FY 2000-2001 CDBG Planning and Capacity Building allocation of $327,967, which was $43,581 or approximately 15 percent more than the FY 1999-2000 CDBG allocation toward that program (see File No. 00-0488). The Board of Supervisors placed the requested additional $43,581 on reserve pending submission by MOCD of an expenditure plan and budget details for the additional Planning and Capacity Building funds.

The proposed reserved FY 2000 – 2001 funds of $43,581 would be used by MOCD to a) contribute $25,000 or 50 percent of the cost of updating the City's 5 Year "Continuum of Care Plan" (see Comment No. 1), and b) provide funds to increase the Technical Assistance Program ($18,581), which would increase the number of technical assistance hours available to MOCD-funded nonprofit organizations in need of capacity building assistance. Additionally, as part of the Technical Assistance Program, new workshops would be provided to MOCD-funded non-profit organizations free of charge, and to other non-profit organizations City-wide.

If the Board approves release of the subject requested funding of $25,000 that MOCD would use for updating the Continuum of Care 5-Year Plan, other departments would provide a match of an additional $25,010 (see

Comment No. 2) for a total allocation to the Continuum of Care plan of $50,010.

Budget:

A summary budget for the requested $43,581 release of reserves is as follows:

Continuum of Care Project (not including 1:1 matching funds from other Departments)	
89 consulting hours at $95 per hour	$8,455
137 consulting hours at $65 per hour	8,905
138.9 consulting hours at $55 per hour	7,640
Total	25,000
Technical Assistance Program	
50 workshop vouchers at $115 each	5,750
128.31 consulting hours at $100 per hour	12,831
Total	18,581
Grand Total	$43,581

The Attachment, provided by MOCD, provides additional budget details for the total project cost of $68,591, including $50,010 for the Continuum of Care Plan and $18,581 for the Technical Assistance Program.

Comments:

1. According to Ms. Kimberly Fergison of MOCD, Continuum of Care is a national program that was developed by the U.S. Department of Housing and Urban Development (HUD), and consists of the coordination of local services to homeless persons in cities across the United States. The first San Francisco Continuum of Care program was started in 1996, and was a 5-year plan. Ms. Fergison states that the current plan needs to be updated for another 5 years in order for San Francisco to remain competitive for Federal HUD grants for homeless programs.

2. According to Ms. Fergison, $25,000 of the Continuum of Care 5-Year Plan Project would be funded from the subject MOCD CDBG reserved funds. An additional $25,010 in matching funds would be contributed to the Continuum of Care 5-Year Plan Project by other Departments from previously budgeted FY 2000 – 2001 funds. Ms. Fergison states that the Department of Public

Health and the Department of Human Services would each contribute $10,005, while the Department of Children, Youth, and their Families would contribute $5,000 to the subject project. Consequently, the total contribution to the subject project for the Continuum of Care program would be $50,010 including this requested $25,000 funding from CDBG funds.

The Continuum of Care 5-Year Plan cost of $50,010 ($25,000 of which would be funded from the requested release of CDBG reserved funds, and $25,010 from previously budgeted department funds), along with the Technical Assistance Program total of $18,581 in CDBG funds, would therefor provide for a total Project cost of $68,591.

3. According to Ms. Gloria Woo of MOCD, the Technical Assistance Program of $18,581 in CDBG funds would consist of three components: 1) workshop vouchers, which would allow CDBG-funded agencies to participate in any of the 12 planned workshops that would be conducted by Compass Point, a nonprofit agency (see Comment No. 5); 2) organizational development consultation, which includes one-on-one consulting to CDBG-funded agencies on special projects; and 3) special forums specifically designated for CDBG-funded agencies on topics of special interest.

4. Ms. Fergison states that Harder and Co., a for-profit contractor, was selected to update the Continuum of Care 5-Year Plan Project at a cost of $50,010, through a Request for Proposal (RFP) process. According to Ms. Fergison, Harder and Co. was selected from six respondents because they offered the lowest rates, and had more experience with regard to homeless issues than the other five respondents.

5. According to Ms. Fergison, Compass Point, the nonprofit agency selected to perform the subject work on the Technical Assistance Program, has a preexisting contract with MOCD, and has been selected through an annual RFP process for capacity building activities each year since 1995. Ms. Fergison states that Compass Point is typically the only respondent to the Department's

annual RFP regarding capacity building because they have unique experience working with non-profits agencies in this area.

Recommendation: Approve the proposed release of reserved funds.

BOARD OF SUPERVISORS
BUDGET ANALYST

Harder+Co Continuum of Care Plan Budget
Mayor's Office on Homelessness
Proposed Six Month Timeline: 8/1/00 - 2/1/01

STAFF ASSIGNMENTS (in hours)			
TASKS/SCOPE OF WORK	Michelle Magee	Clare Nolan	Lydia Ely
1. Review Existing Continuum of Care Plan from 1996-2001	8	8	8
2. Analyze 1996-2001 Continuum of Care Plan and develop recommendations	20	20	20
3. Coordinate the input of nine subcommittees of the Local Board	36	60	80
a. Interim community input	12	24	24
4. Identify potential sources of information for updating analysis	4	20	10
5. Along with Local Board and Mayor's Office, identify changes in resources	4	20	10
6. Draft a document	38	58	60
7. Organize feedback and a public review process	24	36	30
8. Edit and finalize draft	32	32	32
Total Hours	178	278	274

PROJECT BUDGET					
		Rate	Hours		Total
Michelle Magee, Project Director	$	95	178		16,910
Clare Nolan, Team Member	$	55	278		15,290
Lydia Ely, Consultant	$	65	274		17,810
Total Labor				$	50,010
Total Budget				**$**	**50,010**

CompassPoint Technical Assistance Program			
for CDBG-funded Agencies			
Component		Budget	
1. Workshop Vouchers	50 vouchers @ $115 each	$5,750	
2. Organizational Development Consultation	128.31 hours @ $100/hr.	$12,831	
Total Additional Budget		**$18,581**	

Item 13 – File 00-1534

Department: Mayor's Office of Community Development (MOCD)

Item: Hearing to request release of reserves in the amount of $500,000 to be used to construct the interior portion of the Training Center space at the Evans Campus of San Francisco City College.

Amount: $500,000

Source of Funds: Funds reserved by the Board of Supervisors in the Fiscal Year 1998-1999 Community Development Block Grant (CDBG) budget.

Description: In February of 1998, MOCD budgeted a FY 1998-1999 CDBG Work Force Development Pool allocation of $2,000,000. $1,909,331, or approximately 95 percent, of those funds were made available for individual Workforce Development projects[1]. The Board of Supervisors placed all of the $1,909,331 for such projects on reserve pending submission by MOCD of expenditure plans and budget details for specific Work Force Development projects.

The requested release of reserved funds would release $500,000 of the previously reserved $1,909,331 in FY 1998-1999 CDBG Work Force Development Center funds, which would be used by the San Francisco Community College District (SFCCD) to construct the interior portion of the Training Center space at the Evans Street Campus of SFCCD.

The new Training Center, once completed, would allow City College to offer certified trade training and curricula to individuals seeking employment or advancement in the construction and maritime trades. The facility would also be used to provide employment support services for individuals enrolled in construction and maritime skills training at City College.

[1] The remaining $90,669, or approximately 5 percent, of these funds was expended to cover administration costs.

Budget: A summary budget for the requested $500,000 is as follows:

Construction Items	
Demolition	$4,000
Doors and Frames	26,500
Observation Windows	11,000
Interior Walls	107,130
Acoustic Ceilings	21,210
Vinyl Composite Floor Tiles	13,500
Painting	10,000
Seal Concrete Floor	8,070
Signage	2,500
Mechanical Heating, Ventilating, and Air Conditioning System	120,090
Dust Collection System	10,000
Electric Power Infrastructure	80,000
Telecommunications Infrastructure	5,000
Blueprints, Reproduction and Permits	6,000
Total	425,000
Architectural and Engineering Services	75,000
Grand Total	**$500,000**

Comments:

1. According to Mr. Jon Pon of MOCD, a construction contractor has not been selected. According to Mr. Pon, a contractor will be selected by SFCCD for the subject project through a competitive process, should the Board approve the proposed release of reserved funds.

2. According to Mr. Pon, the estimate for the subject project was provided to MOCD by a licensed architect employed by SFCCD.

3. Because a contractor has not been selected for the proposed project, the Budget Analyst recommends that only $81,000 be released from reserve ($75,000 for Architectural and Engineering Services and $6,000 for Blueprints and Permits) so that plans can be prepared to competitively bid the project.

BOARD OF SUPERVISORS
BUDGET ANALYST

Recommendation: Release $81,000 of the $500,000 requested and continue to reserve the balance of $419,000 pending selection of a contractor and submission of budget details to the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

Item 14 – File 00-1523

Department: Airport

Item: Resolution approving the Controller's certification that public parking management services for the San Francisco International Airport can continue to be practically performed by a private contractor at lower cost for the year commencing July 1, 2000 than if the work were performed by City and County employees.

Services to be Performed: Public parking management services

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work performed by City employees.

The Controller has determined that contracting for public parking management services at the Airport for FY 2000-2001 would result in the estimated savings as follows:

City-Operated Service Costs	Low	High
Parking & Taxicab Operations	$11,554,883	$13,434,209
Security Control	4,541,806	5,292,830
Janitorial Services	2,331,935	2,709,581
Total	$18,428,624	$21,436,620
Contractual Services Costs		
Parking & Taxicab Operations	$9,865,851	$9,865,851
Security Control	2,497,592	2,497,592
Janitorial Services	2,301,996	2,301,996
Total	$14,665,439	$14,665,439
Estimated Savings	$3,763,185	$6,771,181

Comments: 1. Public parking management services for the Airport include management of parking and taxicab operations, security guard services and janitorial services, according to Mr. Fred Strong of the Airport.

2. Public parking management services have been contracted out since 1971, the first year that these services were provided.

3. The prior one-year contract, which commenced on July 1, 1999 and expired on June 30, 2000, was with AMPCO System Parking Company. Mr. Strong states that AMPCO has provided public parking management services to the Airport for the last nine years. The Airport is exercising the fourth of four one-year options to renew this contract with AMPCO.

4. The subject one-year contract with AMPCO began on July 1, 2000. Therefore, the proposed resolution should be amended to provide for retroactive authorization.

5. The Contractual Services Costs used for the purpose of this analysis are AMPCO's projected FY 2000-2001 costs for public parking management services.

6. According to Mr. Strong, AMPCO provided both public parking management services and employee parking management services until September 1, 1999. On September 1, 1999, ABC Parking Inc./THOR assumed responsibility for the provision of employee parking management services. Mr. Strong reports that a proposed resolution retroactively authorizing the contract with ABC Parking Inc./THOR for employee parking management services will be submitted for approval by the Board of Supervisors at the end of September of 2000.

7. The Attachment to this report, provided by the Airport, is the Controller's supplemental questionnaire with the Department's responses.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 4 above.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Public Automobile Parking
Contract Period: July 1, 2000 to June 30, 2001

1. **Who performed the activity/service prior to contracting out?**
   This service has always been contracted out, it has never been operated by City personnel.

2. **How many City employees were laid off as a result of contracting out?**
   None

3. **Explain the disposition of employees if they were not laid off.**
   N/A

4. **What percentage of City employees' time is spent on services to be contracted out?**
   N/A

5. **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
   Services have been contracted out since October 16, 1971, it is likely to remain contracted out.

6. **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
   It has been certified each year since 1980.
   Yes, it has been certified each year since Fiscal Year 1980/81.

7. **How will the services meet the goals of your MBE/WBE Action Plan?**
   Although this contract was not awarded to a MBE/WBE firm in 1995, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. This contract contains MBE/WBE goals which include "best effort to meet a 30% goal.

8. **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
   The contractor provides health insurance for its employees through union agreements.

9. **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?**
   AMPCO and parent ABMI are working on a nation-wide Domestic Partners Program. This contract is unchanged and the requirement was not included in the contract.

Department Representative: ______________________
Robert Rhoades, Deputy Airport Director - Business

Telephone Number: (650) 821-4050

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Item 15 – File 00-1537

Department: Juvenile Probation

Item: Resolution concurring with the Controller's certification that intake and shelter services for status offenders can continue to be practically performed by a private contractor at lower cost for the year commencing July 1, 2000 than if work were performed by City and County employees.

Services to be Performed: Shelter and intake services for status offenders

Description: The Juvenile Probation Department first entered into a contract with Huckleberry Youth Programs (formerly known as Youth Advocates, Inc.) in 1984 to provide a community-based central receiving facility for status offenders. Status offenders are youth who have run away from home, have a history of truancy, or are in other ways out of their parents' control, but who are not in the criminal justice system. Prior to the contract with Huckleberry Youth Programs to provide the community-based central receiving facility services, such status offenders were retained in Juvenile Hall.

In 1989 the Juvenile Probation Department expanded the services provided under the contract with Huckleberry Youth Programs to include intake and shelter services for status offenders. Huckleberry Youth Programs currently provides a 24-hour short-stay shelter and needs assessment for youth, with the goal of reuniting youth with their family or providing appropriate longer-term placement.

Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work by City and County employees.

The Controller has determined that contracting for the shelter and intake services for status youth offenders for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$ 732,808	$ 891,566
Fringe benefits	205,668	230,454
Total	$ 938,476	$1,122,020
Contractual Service Cost*	586,973	610,238
Estimated Savings	$ 351,503	$ 511,782

*According to Mr. Joe Matranga of the Controller's Office, Contractual Service Costs include (a) the current contractor's cost of $539,557 and (b) 1.0 FTE 8444 Deputy Probation Officer in the Juvenile Probation Department, at the lowest salary step of $47,416, and highest salary step of $70,681, to monitor the contract.

Comments:

1. Ms. Cheyenne Bell of the Juvenile Probation Department reports that the Department first entered into a contract with Huckleberry Youth Programs, Inc. in 1984 to provide a central receiving facility for status offenders, and that the contract with Huckleberry was expanded in 1989 to include shelter and intake services. Therefore, the central receiving facility was first certified under Charter Section 10.104 in 1984. The expanded shelter and intake services contract was first certified by the Controller as being less expensive than if the services were performed by City employees in 1989, and the shelter and intake services have been continuously provided under the outside contract since then.

2. As noted above, the Contractual Service Cost used for the purpose of the analysis is based on: (a) the current contractor's cost of $539,557 to provide shelter and intake services, and (b) the salary and fringe benefits of 1.0 FTE 8444 Deputy Probation Officer, ranging from $47,416 at the lowest salary step to $70,681 at the highest salary step.

3. The subject contract with Huckleberry Youth Programs began on July 1, 2000. Therefore, the proposed resolution should be amended to provide for retroactive authorization.

4. The Controller's supplemental questionnaire with the Juvenile Probation Department's responses is shown in the Attachment to this report.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 3 above.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Juvenile Probation Department

CONTRACT SERVICES: Shelter and Intake Services for Status Offenders

CONTRACT PERIOD: July 1, 2000 through June 30, 2001

1) Who performed the activity/service prior to contracting out?

Juvenile Hall Counselors:
3- 8316 Assistant Counselors *7- 8320 Counselors, Juvenile Hall*
1- 8318 Counselor II

2) How many City employees were laid off as a result of contracting out?

None, Eleven (11) positions were cut from the budget, but no permanent staff were laid off.

3) Explain the disposition of employees if they were not laid off.

Permanent employees moved to positions in other parts of Juvenile Hall formerly filled by the Department's as-needed cadre.

4) What percentage of City employees' time is spent on services to be contracted out?

50 %	of 1-8414 Supervising Probation Officer	100 %	of	2 - 8318	Counselors II
100 %	of 4-8444 Deputy Probation Officer	100 %	of	14 - 8320	Counselors

5) How long have the services been contracted out? Is it likely to be a one-time or an ongoing request for contracting out?

The contract with Huckleberry Youth Programs, Inc. (formerly Youth Advocates, Inc.) for a central receiving facility was first entered into by the Juvenile Probation Department, February 1, 1984. The contact expanded to include shelter and intake for status offenders on April 1, 1989. Clearly, this agreement is ongoing and the Department expects to continue to contract out to obtain these services.

6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

The first year for the central receiving facility contract was FY 1983/84. The first year for the expanded contract was FY 1988/89. This contract has been renewed each subsequent year.

7) How will the services meet the goals of your MBE/WBE action plan?

Huckleberry Youth Programs, Inc. is a non-profit agency therefore, does not fall within the purview of MBE/WBE goals. Additionally, extensive outreach was accomplished at the Request for Qualifications staging seeking potential MBE/WBE providers.

Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?

There is no stipulation in the body of the contract or within the scope of services requiring the contractor to provide health benefits.

The contractor's answers to HRC form 12B -101 (Declaration: Nondiscrimination in Contracts and Benefits attests they offer health benefits to their employees.

5) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

The contractor's answers to HRC form 12B -101 (Declaration: Nondiscrimination In Contracts and Benefits) attests they offer health benefits to their employees with spouses

Additionally, they indicate they offer the same health benefits to the domestic partners of their employees.

Department Representative: Chayenne Bell

Telephone Number: 753-7813, FAX 753-7715

Item 16 - File 00-1455

Department: Department of Human Services (DHS)

Item: Hearing to consider the release of reserved funds for the Department of Human Services for Fiscal Year 2000-2001, in the amount of $636,000, to fund the Hotel Master Lease Program that will provide and operate a supportive hotel for formerly homeless individuals in San Francisco.

Amount: $636,000

Source of Funds: FY 2000-2001 DHS budget. During the FY 2000-2001 budget review, the Finance and Labor Committee recommended and the full Board of Supervisors approved reserving $700,000 in the DHS budget for an additional master-leased hotel for homeless clients. DHS is now requesting release of the full amount of $700,000, and not $636,000 as stated in the hearing notice.

Description: DHS implemented the Hotel Master Lease program in 1999 to provide housing in residential hotels to formerly homeless clients. Currently, DHS has a contract with Tenderloin Housing Clinic (THC), a nonprofit organization which was selected through a Request for Proposal (RFP) process, to operate supportive housing programs for formerly homeless clients in residential hotels. In FY 1999-2000 THC entered into master lease agreements with three residential hotels (Seneca Hotel, Mission Hotel, and Jefferson Hotel) to provide supportive housing. In the FY 2000-2001 budget, DHS proposed two new master lease agreements in addition to the three master lease agreements noted above, for a total of five hotels with master lease agreements. DHS included $1,099,025 in the FY 2000-2001 budget for the two new master lease agreements: $399,025 for a master lease agreement with the Vincent Hotel at 459 Turk Street to provide 103 rooms for homeless clients and $700,000 for a master lease agreement for an undetermined hotel. The Board of Supervisors reserved $700,000, pending selection of a residential hotel. DHS is requesting release of $700,000, which includes $636,000 for a new master lease agreement with the Hartland Hotel and $64,000 to

increase the amount of the master lease agreement with the Vincent Hotel, as noted below.

DHS is requesting release of $636,000 of the $700,000 in reserved funds for a contract with THC to operate a supportive housing program at the Hartland Hotel at 909 Geary Boulevard. In July of 2000, DHS issued an RFP for a contractor to operate a supportive housing program and to enter into a master lease agreement with a new hotel. The RFP specified that the successful bidder was required to have experience working with formerly homeless individuals in a supportive housing environment and to have an agreement from a residential hotel owner to enter into a long-term master lease. Only THC responded to the RFP. The Human Services Commission approved the proposed contract with THC on August 24, 2000. Under the proposed contract between DHS and THC, THC would enter into a 10-year master lease agreement with the Hartland Hotel, 909 Geary Boulevard, to provide 137 rooms for homeless clients. The hotel rooms were available September 1, 2000, and approximately 54 former tenants of the Hartland Hotel who were displaced when the hotel burned in February of 1999 began moving back into the hotel. As explained in the attached memorandum (Attachment I), Ms. Julie Brenman of DHS states that the master lease agreement for the management and operation of the supportive housing program at the Hartland Hotel became effective on September 1, 2000, and therefore, the request for the release of the reserved funds is retroactive.

DHS reports that other prospective tenants, who are participants in the PAES program[1] or who are currently sleeping in homeless shelter beds, have been identified. The former tenants of the Hartland Hotel who were displaced due to the fire will pay the monthly room rental rate in effect for each tenant prior to the fire. Under the master lease agreement, the room rental rate for new tenants will be $450 per month, which is the same rate in effect for the master lease agreements with the Vincent, Seneca, and Mission Hotels. The monthly room rental

[1] The PAES (Personal Assisted Employment Services) program, which was implemented by DHS in October of 1998, is a voluntary program available to all General Assistance recipients who are employable but are temporarily unemployed.

rate under the master lease agreement with the Jefferson Hotel is $400 per month.

Additionally, DHS is requesting release of $64,000 of the $700,000 to partially fund an increase in the master lease agreement with the Vincent Hotel. According to Mr. Kayhan, the actual lease agreement with the Vincent Hotel is $471,958, which is $72,933 more than the budgeted amount of $399,025. Mr. Kayhan states that DHS included funds for approximately 10 to 11 months of operation of the supportive housing program at the Vincent Hotel. Mr. Kayhan reports that the hotel became available for occupancy on June 1, 2000, and that tenants began to move into the hotel in June of 2000. Therefore, Mr. Kayhan states that the Vincent Hotel will be occupied for the full 12 months of FY 2000-2001, rather than 10 to 11 months, as originally anticipated. Mr. Kayhan states that additional funds in the amount of $8,933 ($72,933, which is the amount of the shortfall, less $64,000, which is the amount of available funds on reserve) are available in the FY 2000-2001 DHS budget.

Budget: The proposed budget for the Vincent and Hartland Hotels supportive housing programs is as follows:

	Funds appropriated and available in FY 2000-2001 budget	Funds reserved in FY 2000-2001 budget process	Additional funds available in DHS budget	Total hotel operating and supportive services costs
Vincent Hotel				
Operating costs[1]	$399,025	$ 64,000	$ 8,933	$471,958
Hartland Hotel				
Operating costs[1]		517,633		
Supportive services[2]		118,367		636,000
Total reserved funds		$700,000		$1,107,958

[1] Operating costs include salaries and benefits of hotel staff; hotel operating expenses, such as utilities building maintenance supplies, insurance, and elevator contract.
[2] The supportive housing program at the Hartland Hotel will incur costs for supportive services in addition to the costs for supportive services included in the FY 2000-2001 DHS budget for the supportive services for the other four hotels (Seneca, Mission, Jefferson and Vincent Hotels).

BOARD OF SUPERVISORS
BUDGET ANALYST

Attachment II, provided by DHS, contains details to support the summary budget noted above.

Comment:

According to Mr. Kayhan, the target population for the residential hotel master lease program are homeless participants in the PAES program, and low-income working adults, recipients of Supplemental Security Income Pending program (SSIP), Veterans Administration benefits, Supplemental Security Income (SSI) and Social Security funds, who are currently residing in emergency shelters. Under the contract with THC, DHS will refer new clients to THC for placement in the hotel. All clients will be eligible for supportive services provided by THC. The master lease agreements with the Vincent and Hartland Hotels provide for a monthly room rental rate of $450. Mr. Kayhan states that tenants will pay all or a portion of the monthly rent, depending on income, and DHS will provide rental subsidies up to $150 per month to eligible tenants. Mr. Kayhan reports that DHS implemented the rental subsidy program in 1998 to aid PAES program participants for whom homelessness was a barrier to employment. The rental subsidy program, which is operated by THC, provides a time-limited rental subsidy to homeless individuals who have developed an employment plan. PAES participants are eligible for the rental subsidy for 12 months, with the possibility of extensions up to a maximum of 27 months. If PAES participants obtain an income of $815 per month or greater, they are no longer eligible for the subsidy. SSIP clients are eligible for the subsidy until they begin receiving SSI, and other working clients are eligible for the subsidy until they achieve an income of $601 monthly.

Recommendation:

Approve retroactively release of the requested funds in the amount of $700,000.

Attachment I

City and County of San Francisco

Department of Human Services

Will Lightbourne
Executive Director

Deputy Directors
Bill Bettencourt
Jim Buick
Sally Kipper

MEMORANDUM

September 13, 2000

TO: Severin Campbell, Budget Analyst's Office

FROM: Julie Brenman, Director of Planning and Budget

RE: Retroactive Approval for Release of Reserve

DHS is requesting the release of $700,000 in reserved funds for the master lease hotel program. We had originally tried to calendar this item for the August 23, 2000 meeting of the Finance and Labor Committee. Unfortunately, the Committee's calendar was very full and we were told that your office would not be able to provide an analysis of the item. As you know, the Board of Supervisors then cancelled all of their meetings for the next three weeks. The September 20, 2000 meeting was the first meeting of the Finance and Labor Committee after the August 23rd meeting.

While our request was made with enough notice to calendar the item on August 23rd, it was not made with far enough in advance of the committee meeting to provide your office with adequate time to analyze the request. We were not able to make our request earlier because the contractor was not selected until mid-August and funds were placed on reserve pending contractor selection.

At the time we learned that the Committee would not be able to consider the release of reserve until September 20th, we faced two options: (1) Delay the start of the program past the planned start date of September 1, 2000, which would leave homeless persons without housing, or (2) Start the program prior to formal Committee approval. Given these two options, our Executive Director, Will Lightbourne, met with Supervisor Yee, the Chair of the Committee and a representative from Supervisor Ammiano's office, as Supervisor Ammiano had originally requested the funds be placed on reserve pending contractor selection. At both meetings, he explained that the Board's vacation schedule created a situation where it was necessary for us to begin the program on September 1st and seek retroactive Committee approval at the September 20th hearing.

The new masterlease program for the Hartland hotel did in fact start on September 1, 2000. While no funds have been expended to date as we have not received our first invoice, we have committed the funds to the contractor.

If you have any questions, please contact me at 557-5641.

(415) 557-5000 P.O. Box 7988 San Francisco, California 94120

Appendix B, Page
Document Date: 4/21/00

DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY BY PROGRAM

Contractor's Name	Contract Term
Tenderloin Housing Clinic, Inc.	7/1/00 to 6/30/03

(Check One) New Renewal Modification ☑
If modification, Effective Date of Mod. No. of Mod.

Program:				Hartland
Budget Reference Page No.(s)				Supportive Svcs
Program Term:				Mod 8/2000
Expenditures				
Salaries & Benefits				$65,067
Operating Expense				$50,900
Capital Expenditure				$2,400
Subtotal				$118,367
Indirect Cost				
Indirect Percentage (%) of direct cost (Line 16)				
Total Expenditures				$118,367
DHS Revenues				
General Fund				$118,367
TOTAL DHS REVENUES				$118,367
Other Revenues				
Full Time Equivalent (FTE)				2.1

Prepared by: Kerry Abbott Telephone No.: (415) 771-2427 Date: 1/4/00

DHS-CO Review Signature: ____________________

DHS #1 3/18/99

	A	B	C	D	E	F	G
1					Appendix B, Page		
2					Document Date:		
3	DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY						
4	BY PROGRAM						
5	Contractor's Name				Contract Term		
6	TENDERLOIN HOUSING CLINIC - MASTERLEASE PROGRAM						
7	(Check One) New ____ Renewal ____ Modification ☑						
8	If modification, Effective Date of Mod.	No. of Mod.	First year of Contract - July 1, 2000 to June 30, 2001				
9	Program:	Senece	Mission	Jefferson	Vincent	Hartland	TOTAL
10	Budget Reference Page No.(s)						
11	Program Term	7/00 - 6/01	7/00 - 6/01	7/00 - 6/01	7/00 - 6/01	Mod 8/2000 7/00-6/01	7/00 - 6/01
12	Expenditures						
13	Salaries & Benefits	$384,355	$338,503	$337,813	$332,569	$270,230	$1,841,290
14	Operating Expense	$239,574	$190,317	$130,869	$131,369	$240,003	$932,132
15	Capital Expenditure	$17,000	$11,000	$2,000	$8,000	$7,400	$45,400
16	Subtotal	$620,929	$537,620	$470,482	$471,958	$517,633	$2,618,622
17	Indirect Percentage (%)						
18	Indirect Cost (Line 16 X Line 17)						
19	Total Expenditures	$620,929	$537,620	$470,482	$471,958	$517,633	$2,618,622
20	DHS Revenues						
21	General Fund	$620,929	$537,620	$470,482	$471,958	$517,633	$2,618,622
22							
23							
24							
25							
26							
27							
28							
29	TOTAL DHS REVENUES	$620,929	$537,620	$470,482	$471,958	$517,633	$2,618,622
30	Other Revenues						
31							
32							
33							
34							
35							
36	Total Revenues						
37	Full Time Equivalent (FTE)						
39	Prepared by:		Telephone No.:				Date
40	DHS-CO Review Signature						
41	DHS #1						2/1/00

Item 17 - File 00-1437

Department: Department of Administrative Services

Item: Resolution authorizing the Director of the Department of Administrative Services to enter into an operating and licensing agreement with Pacific Bell Telephone Company, a Northern California Company, for the development and operation of the San Francisco Affinity Phone Card program, and implementation thereunder.

Description: Under the Affinity Phone Card program, which was approved by the Board of Supervisors in 1995, official City prepaid telephone cards bearing the City Seal are sold through vending machines and retail outlets located throughout the City and at the Airport. The City contracted with a private vendor, Winston Taylor, Inc. (now MVX Communications) to operate the program in 1995. Under the operating and licensing agreement between the City and MVX Communications, MVX Communications paid to the City a licensing fee, based on a rate schedule of 13.5 percent to 15 percent of revenue generated by the sales of prepaid telephone calling cards. According to Ms. Kofo Domingo of the Department of Administrative Services (DAS), the City received approximately $140,000 annually from the Affinity Phone Card program, of which approximately 80 percent was generated by prepaid telephone card sales at the Airport.

The original three-year licensing agreement with MVX Communications was extended for one additional year until December of 1999. When the one-year extension expired in December of 1999, the Airport withdrew from the citywide Affinity Phone Card program, and entered into an agreement with Pacific Bell, which includes prepaid calling cards as part of the Airport's Turn-Key Public Communications Concession Agreement (File 99-1868). Ms. Domingo states that MVX Communications did not believe that the Affinity Phone Card program would generate sufficient revenues if the Airport was not included, and did not renew the operating and licensing agreement with the City for an additional year after the agreement expired in December of 1999.

The Attachment, provided by Ms. Domingo, states that DAS determined that the City needed to join with the Airport to generate sufficient interest from vendors to operate the prepaid telephone card program. Therefore, rather than issuing a separate Request for Proposal (RFP) to select a new vendor for the Affinity Phone Card program, DAS decided to enter into an operating and licensing agreement for the Affinity Phone Card program with whichever vendor was selected by the Airport pursuant to Airport's RFP for a vendor to provide prepaid telephone calling cards at the Airport as part of the bundle of services included in the Turn-Key Public Communications Concession Agreement. According to Ms. Domingo, the Airport's RFP included the City's prepaid telephone calling card program. The proposed operating and licensing agreement with Pacific Bell, which is the subject of this resolution, would be separate from the agreement with the Airport.

The proposed resolution would approve a new three-year operating and licensing agreement between the City and Pacific Bell for the operation of the Affinity Phone Card program.

Term of Agreement: Three years, with the option to extend the Agreement for up to two additional one-year terms. Under the proposed operating and licensing agreement, if the Turn-Key Public Communications Concession Agreement between Pacific Bell and the Airport is terminated, the City and Pacific Bell shall have the option to terminate the proposed agreement.

Revenue to the City: Pacific Bell would pay to the City General Fund an amount equal to the greater of the Minimum Annual Guarantee (MAG) or 20 percent of the gross revenues from the sale of the official phone cards as follows:

First year MAG equals $150,000
Second year MAG equals $200,000
Third year MAG equals $250,000

The MAG amounts noted above, which are payable by Pacific Bell to the City, are in addition to any amount due

to the Airport under the separate Turn-Key Communications Concession Agreement[1].

The City would have the right to terminate the proposed operating and licensing agreement if Pacific Bell does not pay the MAG amount noted above. Additionally, under the licensing and operating agreement the City would be able to seek legal remedy if Pacific Bell defaults on the MAG payment.

Comments:

1. Under the proposed licensing and operating agreement, Pacific Bell would design, manufacture, and sell the prepaid calling cards at various locations throughout the City. The design of the phone cards and the locations at which they are sold are subject to City approval, through DAS.

2. The price of the phone cards would be mutually agreed upon by Pacific Bell and the City. According to Ms. Domingo, the phone cards currently sold by Pacific Bell under the Airport agreement are in \$5, \$10, and \$20 denominations.

3. Under the operating and licensing agreement, Pacific Bell would operate the Affinity Phone Card program, and Pacific Bell and AT&T would provide the actual phone service. Any change in the phone service provider would be subject to City approval, through DAS.

4. Under the proposed agreement, Pacific Bell would work with the City and the San Francisco Convention and Visitors Bureau on developing promotional and marketing strategies for the sale of the prepaid telephone calling cards. Pacific Bell would present to DAS a written marketing and business plan for the sale of the phone cards, which would include a marketing timetable, sales projections, channels and methods of distribution, the nature and amount of advertising and advertising expenditures, projected operating expenses, and possible

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[1] The Airport receives annual lease revenue from the Turn-Key Public Communications Concession Agreement of \$.0921 per passenger for total passengers, which is approximately \$3.7 million annually. According to Ms. Patty Maitland of the Airport, the prepaid calling card program is part of an integrated package, and the revenues from that program can not be separated from the total revenues.

plans for the expansion of the Affinity Phone Card program. Pacific Bell would meet with representatives from the City and the Convention and Visitors Bureau on a quarterly basis to report the status of its promotional and marketing programs. Ms. Domingo states that the costs of the marketing and promotional program would be borne by Pacific Bell.

5. According to Mr. Brian Baker of the Convention and Visitors Bureau, the Bureau would enter into a separate agreement with Pacific Bell for a prepaid telephone calling card program. Mr. Baker states that any revenue generated from the sale of the prepaid telephone calling cards through the Convention and Visitors Bureau would go to the Bureau.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

Attachment

DEPARTMENT OF
ADMINISTRATIVE SERVICES

WILLIE L. BROWN, JR.
MAYOR

RYAN L. BROOKS
DIRECTOR

September 12, 2000

MEMORANDUM

TO: Severin Campbell
Budget Analyst

FROM: Kofo Domingo
Special Assistant/Project Manager

RE: **San Francisco Affinity Phone Card Program**

Per your request, here is the explanation for merging the San Francisco Affinity Phone Card Program with the San Francisco Airport's Telecommunication Package.

In November 1998, we received a letter from the San Francisco Affinity Program contractor, MVX Communications, informing us that the San Francisco Airport staff had notified them that the Airport was considering pulling out of the Affinity phone card program, at the end of the existing contract. The Airport initiated a Request for Proposal for a full telecommunication package that would include phonecards at the Airport. Given this information, MVX made a business decision that unless the San Francisco Affinity phonecard program included the Airport, they would not be interested in continuing with the project.

The Department of Administrative Services performed a business and financial analysis, and concluded that unless the City's program was affiliated with the San Francisco Airport's telecommunication package, we would not be able to maintain the same level of interest in the phonecard program. After discussions, Department of Administrative Services and the Airport came to an agreement to tie both programs together through one RFP process. This meant that the winning bidder for the Airport's RFP would also be responsible for running the San Francisco Affinity Phone card program. They would sign separate agreements with the Department of Administrative Services and San Francisco Airport, and run each program independent of the other.

I hope this helps clarify the link between the Department of Administrative Services and the Airport with the San Francisco Affinity Phone Card Program.

CITY HALL, ROOM 362, 1 DR. CARLTON B. GOODLETT PLACE, SAN FRANCISCO, CA 94102-4683
TELEPHONE (415) 554-6171; FAX (415) 554-6177

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, September 27, 2000 — **10:00 AM** — **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano.

Members Absent: Sue Bierman.

Meeting Convened

The meeting convened at 10:10 a.m.

001207 **[Enforcement of Public Works Labor Standards]**

Supervisor Brown

Ordinance amending Chapter 6 of the San Francisco Administrative Code by amending Section 6.22(E) to strengthen enforcement of the City's prevailing wage requirements and other requirements imposed on public works contractors by the Charter and Chapter 6 of the San Francisco Administrative Code, and to increase the penalties for violating prevailing wage requirements, and by adding a new Section 6.24 to establish an office within the Office of the City Administrator to enforce prevailing wage and other city public works requirements and to provide for a funding mechanism for that enforcement.

6/16/00, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 7/26/2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Brown; Supervisor Yee; Ryan Brooks, Director, Administrative Services; Supervisor Ammiano; Erin McGrath, Mayor's Budget Office; Peter Nardoza, Deputy Director, Airport; Dan Smith, Building Trades Council; Carol Garrity, National Association of Women in Business; David Novogrodski, Local 21; Donna Levitt, Carpenter; Daniel Prince, President, Ironworkers Local 377; Walter Johnson, S. F. Labor Council; Jim Breahand, Bricklayers Local 3; Patrick Mulligan, Carpenters, Local 22; Ed Tong, Asian, Inc.; Kevin Chase, Painters Local 16; Douglas Yamamoto, Glazers; Stanley Warren; S. F. Building Trades Council; Manny Flores; Kevin Dayton, Golden Gate Building Contractors; Albert Seto, AACA; Hansen Lee, Asian Contractors Association.

Amended on page 1, line 8; page 14, lines 4 and 12 to change references to "Office of the City Administrator" and "City Administrator" to "Department of Administrative Services" and "Director of the Department of Administrative Services"

AMENDED.

Ordinance amending Chapter 6 of the San Francisco Administrative Code by amending Section 6.22(E) to strengthen enforcement of the City's prevailing wage requirements and other requirements imposed on public works contractors by the Charter and Chapter 6 of the San Francisco Administrative Code, and to increase the penalties for violating prevailing wage requirements, and by adding a new Section 6.24 to establish an office within the Department of Administrative Services to enforce prevailing wage and other city public works requirements and to provide for a funding mechanism for that enforcement.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001608 **[Reserved Funds, Fire Department]**

Hearing to consider release of reserved funds, Fire Department (Fiscal Year 2000-2001 Budget), in the amount of $1,414,943 for overtime costs. (Fire Department)

9/12/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Department requests this item be scheduled for the September 27, 2000 meeting.

Heard in Committee. Speakers:Harvey Rose, Budget Analyst; Acting Chief Tobacco, Fire Department; Supervisor Yee; Ed Harrington, Controller.
Continued to October 11, 2000.

CONTINUED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

000635 **[Public Utilities Revenue Transfers]**

Supervisors Yee, Bierman

Ordinance amending Article 7 of Part I of the San Francisco Administrative Code by adding Section 2A.135, providing for the appropriation to the Public Utilities Commission of a portion of surplus Hetch Hetchy revenues transferred to the General Fund, and providing for periodic increases in the amounts to be returned to the Commission.

(Fiscal impact; Adds Section 2A.135.)

4/10/00, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 5/10/2000.

9/20/00, CONTINUED. Continued to September 27, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Yee; John Mullane, General Manager, Public Utilities Commission; Erin McGrath, Mayor's Budget Office; Emeric Kalman; Joan Girardot, Coalition for S. F. Neighborhoods.
Amended on line 15 by replacing "construction, rehabilitation" with "maintenance"; on line 18 by replacing "2000-2001" with "2001-2002" and on line 22 by replacing "2009-2010" with "2010-2011".
Supervisor Ammiano added as cosponsor.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001596 **[Establishing a special account known as Criminal Enterprise Investigations Restitution/Forfeiture Account for the Police Department]**

Ordinance Chapter 10 of the San Francisco Administrative Code by adding Section 10.117-124 establishing a special account for the receipt and expenditure of funds and property received in restitution and forfeitures in various criminal enterprises investigation cases. (Police Department)

9/1/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Captain John Goldenberg, Police Department; Supervisor Yee; Ed Harrington, Controller.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001556 **[Outreach Advertising Services]**

Supervisors Yee, Bierman

Resolution designating El Latino newspaper to provide outreach advertising services to the City and County of San Francisco for the Hispanic community; and designating Asian Week and International Daily News to provide outreach advertising services to the City and County of San Francisco; and authorizing the Purchasing Department to execute contracts with only those outreach newspapers that fully comply with all City contracting requirements, including equal benefits requirements, and in accordance with the highest scores and ranking resulting from the evaluation of bids received for outreach advertising; and further urging the San Francisco Redevelopment Agency and the San Francisco Housing Authority to cooperate with the Clerk of the Board and the City Purchaser to use the outreach newspapers; and further recommending the Clerk of the Board and the City Purchaser to jointly oversee outreach newspapers contract to ensure compliance regarding advertising, publication and translations; and further authorizing the Clerk of the Board and the Purchasing Department to explore and recommend to the Board additional outreach newspapers for communities of Russian, Southeast Asian, Korean and Filipino populations.

8/28/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Michael Ward, Purchasing Department; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001265 **[CEQA Findings - Emporium Site Development]**

Supervisor Yaki

Resolution affirming certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Agency Commissions and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project and various other actions necessary to implement the project.

(Final EIR Certification Date: January 13, 2000; companion measure to Files 992234, 992235, 001265, 001256, 001257, 001258, 001259, 001266, 001267, 001434.)

Supervisor Yee dissenting in committee.

Supervisor Becerril excused from voting in Board.

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/22/00, RECOMMENDED. Heard in committee. Speakers: Emilio Cruz, Director of Economic Development; Bill Carney, Redevelopment Agency; Kevin Warner, Senior Development Specialist, Redevelopment Agency; David Jones, Project Developer, Forest City; Jim Firth, UFCW Local 101; Walter Johnson, San Francisco Labor Council; H. Brown; Jim Chappell, SPUR; Anita Hill, Yerba Buena Alliance; Doug Comstock, Coalition for San Francisco; Jennifer Clary, San Francisco Tomorrow; Michael Levin; Mary Ann Miller, San Francisco Tomorrow; Myles Stephens, San Francisco Black Chamber of Commerce; Gary Jenkins; Charles Range; Alan Gibson, Budget Analyst Office.

Revised versions of Attachment A and Exhibit 2 were received and placed in the file.

8/22/00, REFERRED to Finance and Labor Committee.

8/23/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway, Jim Firth, Local 101; Walter Johnson, S. F Labor Council, Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

8/28/00, CONTINUED. Supervisor Yaki requested this matter be continued to September 18, 2000.

9/18/00, CONTINUED. Supervisor Yaki moved to continue consideration to September 25, 2000.

9/20/00, CONTINUED. Continued to September 27, 2000.

9/25/00, ADOPTED. Supervisor Newsom stated that upon further discussion with the City Attorney's office, he can now vote on all matters relating to the Emporium site project.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Yee; Emilio Cruz, Director, Mayor's Office of Economic Development; Supervisor Ammiano; Bill Carney, Redevelopment Agency; Charles Chase, Executive Director, S. F. Architectural Heritage; Rachael Reyes Wenger, United Filipino Organizing Network (UFON); Gee Gee Platt; Mary Anne Miller, S. F. Tomorrow; Anita Hill, Yerba Buena Alliance; Teresa Vergel, UFON; Joyce Robberson, Gabriel & Roche; Bernadette Sy, Filipino Cultural Center; Ly Nguyen, SOYAC; Luz DeLeon, Filipino American Art Exposition; John Elberling, Yerba Buena Center - Seniors; Garrett Jenkins, North of Market Planning Coalition; Charles Range, So. Market Health Center; Debbie Larkin.

TABLED by the following vote:

Ayes: 2 - Yee, Ammiano

Absent: 1 - Bierman

001267 **[Tax Increment Allocation/Financing Agreement - Emporium Site]**

Supervisor Yaki

Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco ("City") and the Redevelopment Agency of the City and County of San Francisco ("Agency"), under which the City agrees to a pledge by the Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C. ("Developer"), a subsidiary of Forest City Enterprises, in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate ("Financing Agreement") in connection with the Development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law; making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the agreement is consistent with the city's General Plan and Eight Priority Policies of city Planning Code Section 101.1.

(Fiscal impact.)

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/11/00, TRANSFERRED to Finance and Labor Committee. In conjunction with this matter, File 001265, CEQA findings, will be considered by the Finance and Labor Committee on August 23, 2000.

8/23/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway; Jim Firth, Local 101; Walter Johnson, S. F. Labor Council; Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

9/20/00, CONTINUED. Continued to September 27, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Yee; Emilio Cruz, Director, Mayor's Office of Economic Development; Supervisor Ammiano; Bill Carney, Redevelopment Agency; Charles Chase, Executive Director, S. F. Architectural Heritage; Rachael Reyes Wenger, United Filipino Organizing Network (UFON); Gee Gee Platt; Mary Anne Miller, S. F. Tomorrow; Anita Hill, Yerba Buena Alliance; Teresa Vergel, UFON; Joyce Robberson, Gabriel & Roche; Bernadette Sy, Filipino Cultural Center; Ly Nguyen, SOYAC; Luz DeLeon, Filipino American Art Exposition; John Elberling, Yerba Buena Center - Seniors; Garrett Jenkins, North of Market Planning Coalition; Charles Range, So. Market Health Center; Debbie Larkin.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001581 **[Lease of PUC property to Mid Peninsula High School in Menlo Park to be used as a parking lot/sports playing field for an adjacent high school]**

Resolution authorizing a 20-year lease of Public Utilities Commission land between the City and County of San Francisco and Mid Peninsula High School, in San Mateo County. (Public Utilities Commission)

8/30/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Gary Dow, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001590 **[Airport Lease for Federal Aviation Administration (FAA) to provide updated equipment at a new location, essential to the safety of aircraft movements at the Airport]**

Resolution approving a lease agreement for placement and operations of an Approach Lighting System Sequence Flasher II (ALSF-2) between the United States of America and the City and County of San Francisco, acting by and through its Airports Commission. (Airport Commission)

9/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Airport.
Amended on lines 3 and 22 to provide retroactivity; and on lines 3 and 23 to replace "placement" with :installation of improvements".

AMENDED.

Resolution approving retroactively, a lease agreement for installation of improvements and operations of an Approach Lighting System Sequence Flasher II (ALSF-2) between the United States of America and the City and County of San Francisco, acting by and through its Airports Commission. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001602 **[Airport Lease for Federal Aviation Administration (FAA) to install and maintain a new equipment that will allow for simultaneous landings during inclement weather]**

Resolution approving a lease agreement for the installation and operation of a SOIA Localizer, a navigational aid instrument on Runway 28R between the United States of America and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Airport.
Amended to provide retroactivity.

AMENDED.

Resolution approving retroactively, a lease agreement for the installation and operation of a SOIA Localizer, a navigational aid instrument on Runway 28R between the United States of America and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001603 **[Airport Curbside Management Program]**

Resolution authorizing the Airport Commission ("Commission") to approve the continuation of a contract with ShuttlePort/DAJA SFO Joint Venture to operate the Airport Curbside Management Program for up to four additional one year options commencing November 15, 2000. (Airport Commission)

9/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Barry Taranto, United Taxicab Workers.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001604 **[Contracting out Facility Security Services]**

Resolution concurring with the Controller's certification that facility security services for the Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees. (Public Transportation Commission)

9/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.
Amended to provide retroactivity.

AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

Resolution concurring retroactively, with the Controller's certification that facility security services for the Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees. (Public Transportation Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001650 **[S.F. Housing Authority]**

Supervisor Ammiano

Hearing to examine the San Francisco Housing Authority's conformity to federal Quality and Housing Work Responsibility Act enacted in 1998.

9/18/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests this item be scheduled for consideration at the September 27, 2000 meeting.

Heard in Committee. Speakers: Supervisor Ammiano; Renee Saucedo, Directort of the Day Laborers; Miguel Carrera, Housing Not Borders; Vivian Martinez, Homeless Pre-Natal Program; Luz; JoAnne Greer.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

ADJOURNMENT

The meetung adjourned at 2:00 p.m.

(Not to be considered at this meeting)

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 21, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: September 27, 2000 Finance and Labor Committee Meeting

Item 1 - File 00-1207

Department: Department of Administrative Services (DAS)

Item: Ordinance amending Chapter 6 of the San Francisco Administrative Code by amending Section 6.22 (e) to strengthen enforcement of the City's prevailing wage requirements and other requirements imposed on public works contractors by the Charter and Chapter 6 of the San Francisco Administrative Code, and to increase the penalties for violating prevailing wage requirements, and by adding a new section 6.24 to establish an office within the Department of Administrative Services to enforce prevailing wage and other City public works requirements and to provide for a funding mechanism for that enforcement.

Description: Currently, private firms who enter into contracts with the City for construction and public work projects are required to pay the highest rate of the prevailing wage for such work. According to Chapter 6 of the Administrative Code, the Board of Supervisors fixes the highest prevailing rate of wages paid in private employment in the City, including such rates paid for overtime and holiday work, at least once a year. The Civil Service Commission furnishes to the Board of Supervisors data

regarding the highest general prevailing wages for the various crafts and labor job classifications paid in private employment in the City. Section 6.22 of Administrative Code states that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission in determining the prevailing wage rates, but may consider other information as the Board of Supervisors deems proper.

Under Chapter 6 City departments which have construction contracts with private firms must include a detailed statement of the prevailing wage requirements, including overtime and holiday pay, in the contract specifications. The private contractor must agree to pay the prevailing wage to workers performing construction projects for a City contract. Subcontractors of the private contractor are also required to pay the prevailing wage.

Currently, the City departments which have the authority to enter into construction or public works contracts, which include Public Utilities Commission (PUC), Department of Public Works (DPW), Municipal Railway (Muni), Recreation and Park Department (RPD), the Port, and the Airport, are responsible for monitoring compliance with prevailing wage provisions.

The proposed ordinance would create an Office of Labor Standards Enforcement within the Department of Administrative Services (DAS) that, subject to the transition provisions of the proposed ordinance, would assume the function of monitoring prevailing wage compliance for construction contracts.

The proposed ordinance would make the following changes to Chapter 6 of the Administrative Code:

- The penalty paid by contractors and subcontractors who fail to comply with the prevailing wage requirement would be increased from $25 to $50 per day for each worker who is not paid the prevailing wage while working on a City contract.
- Any contractor or subcontractor who does not comply with the prevailing wage requirement would be subject to the penalties set forth in the existing Article V of

Chapter 6. Article V provides that a contractor or subcontractor who violates a provision of Chapter 6 may be declared an irresponsible bidder or unqualified contractor and may be debarred from working on City contracts for a period of up to 5 years. Additionally, under Article V the contractor may be liable to the City for a civil penalty up to $10,000 for each violation of Chapter 6. According Mr. Randy Riddle of the City Attorney's Office, the penalties set forth in Article V already apply to violations of prevailing wage requirements, and the new provision in Section 6.22(E)(7)(a), which specifically applies such penalties to violations of prevailing wage requirements, clarifies the intent of the existing language and the existing practice.

- An Office of Labor Standards Enforcement would be established within the Department of Administrative Services (DAS). The Office of Labor Standards Enforcement would have the responsibility to ensure compliance by contractors with the prevailing wage requirements and other labor standards imposed by the City Charter and Chapter 6. Other labor standards include a workweek of 5 eight-hour days, totaling 40 hours in a week, and overtime pay for hours worked in excess of eight hours in one day or 40 hours in one week. The proposed ordinance provides that the Mayor would appoint a Labor Standards Enforcement Officer, who would serve at the pleasure of the Mayor. The Labor Standards Enforcement Officer would (a) develop and administer a plan for the enforcement of the prevailing wage requirement and other labor standards, (b) direct enforcement of the City's prevailing wage requirements subject to approval by the Mayor and the Director of DAS, (c) seek penalties for violation of the prevailing wage requirements, and (d) oversee the training of City personnel in labor standards enforcement. The proposed ordinance does not specify a procedure for enforcement of the prevailing wage requirements.
- The Mayor may enter into a contract for the investigative and monitoring services required under the proposed ordinance.
- City departments which have construction and public works contracts with private contractors would

reimburse the DAS Office of Labor Standards Enforcement for costs of monitoring compliance with prevailing wage and other labor standards, including litigation costs on a work-order basis.

- City construction and public works contracts would be required to contain provisions stating that the contractor will (a) cooperate fully with the Labor Standards Enforcement Officer and City employees or agents authorized to administer and enforce the prevailing wage requirements; (b) allow the Labor Standards Enforcement Officer to conduct random inspection of job sites, including timesheets, paychecks, payroll records, and other relevant documents; (c) maintain sign-in and sign-out sheets showing which employees are present on the job site; (d) post notices at the job site that the project is subject to prevailing wage requirements; and (e) agree to audits of the employer's records by the Labor Standards Enforcement Officer to determine compliance with the ordinance.

The Office of Labor Standards Enforcement would be implemented upon approval of the proposed ordinance by the Board of Supervisors. The proposed ordinance provides for a transition period, allowing departments to maintain their existing authority to ensure compliance with the prevailing wage requirements and other labor standards. Under the proposed ordinance, the Mayor may transfer to the Office of Labor Standards Enforcement the existing authority of departments to ensure compliance with prevailing wage requirements and other labor standards.

Fiscal Impact:

According to Mr. Ryan Brooks of DAS, the estimated annual cost of establishing an Office of Labor Standards Enforcement would be approximately $720,520. The Attachment, provided by DAS, shows the projected budget for the proposed Office of Labor Standards Enforcement for six months of FY 2000-2001 of approximately $400,000 and for FY 2001-2002 of approximately $720,520.

Mr. Brooks states that the projected budget for the proposed Office of Labor Standards Enforcement is based upon the following assumptions:

- The proposed Office of Labor Standards Enforcement would have jurisdiction over the monitoring of prevailing wage compliance for City construction contracts. City departments which are currently monitoring prevailing wage compliance for their construction contracts would continue to do so, but would be accountable to the Office of Labor Standards Enforcement.

  The Budget Analyst notes that the estimated costs of the proposed Office of Labor Standards Enforcement would be in addition to the costs currently incurred by the other City departments for monitoring compliance with prevailing wage requirements.

- City departments would reimburse the costs of the proposed Office of Labor Standards Enforcement on a work order basis. The amount of costs borne by each City department would be proportional to the amount of each department's construction contracts. In FY 1999-2000, five City departments (the Airport, DPW, PUC, Muni, and the Port) had construction contracts, totaling approximately $976,000,000. The voters approved Proposition C in March of 2000, granting RPD the authority to manage construction projects. For FY 2000-2001, DAS estimates that the Office of Labor Standards Enforcement costs would be distributed among the six City departments as follows:

Department	Percentage of Total City Contract Costs	Share of Costs in FY 2000-2001
Airport	72.31%	$289,240
DPW	15.22%	60,880
PUC	9.23%	36,920
Muni	1.83%	7,320
Port	.41%	1,640
RPD	1.00%	4,000
Total	100.00%	$400,000

According to Mr. Brooks, the exact share of enforcement costs paid by each department would be negotiated during the budget process, based on each department's share of construction contracts. The Airport's share of

enforcement costs are expected to decrease as the Airport construction costs, which have been largely for the construction of the new International Terminal, decrease, and the DPW share of enforcement costs are expected to increase, when construction of Laguna Honda Hospital, the San Bruno Jail, and other large projects begin.

DAS did not provide estimates of the percent of costs of the proposed Office of Labor Enforcement Standards that would be General Fund costs. However, according to Mr. Brooks, most of the cost recovery would be from the enterprise departments, such as the Airport, the Port, and PUC. Mr. Brooks states that the majority of construction contracts for other departments are Federally funded (Muni) or are funded through public financing mechanisms, such as General Obligation bonds, Revenue bonds, commercial paper, or other mechanisms, and that the General Fund share of construction contracts is relatively small.

Mr. Brooks advises that, if the proposed ordinance is approved, DAS would submit a supplemental appropriation request to the Board of Supervisors for the proposed Office of Labor Enforcement Standards in FY 2000-2001.

Comments:

1. Currently, the Airport is the only City agency with a separate administrative division for administration and proactive enforcement of prevailing wage requirements. According to Ms. Helen Lucas of the Airport, the Construction and Tenant Employment Monitoring Division, which is responsible for administration and monitoring of prevailing wage requirements for $4.2 billion in Master Plan and facilities maintenance contracts and Airport leaseholder construction contracts, has 12 staff and an annual budget of $1,500,000. Ms. Lucas states that the Construction and Tenant Employment Monitoring Division monitors 56 construction contracts, covering 17,000 employees and $1,000,000,000 in salaries. Ms. Lucas states that Airport contractors provide regular wage and payroll data to the Division and the Division monitors this data to determine compliance with the prevailing wage regulations. According to Ms. Lucas, in the first 18 months of the

Division's operation, which commenced July 1, 1996, the Airport initiated withholding 50 to 60 contract payments due to contractors' noncompliance with prevailing wage requirements. Ms. Lucas states that compliance with prevailing wage requirements has increased and that in the past 12 months the Airport has only initiated withholding 12 contract payments due to contractors' noncompliance with prevailing wage requirements.

2. Four other City agencies with a large number of construction contracts (DPW, PUC, the Port, and Muni) do not have separate administrative divisions to monitor and enforce prevailing wage requirements. Monitoring and enforcement of the prevailing wage requirements is the responsibility of the construction management or facilities maintenance divisions of each department. Under the current Section 6.22 of the Administrative Code, the prevailing wage rate is included in the contract specifications when a City department issues an Invitation to Bid on a construction contract. Construction contractors and subcontractors must agree to pay the prevailing wage as a condition of the contract and are required to maintain payroll records reflecting the job classification and wage rate of employees working on City contracts. Each City department with construction contracts is responsible for enforcing the prevailing wage requirements.

3. According to Mr. Maurice Williams of DPW, DPW has approximately 132 active construction contracts, totaling $382,782,409. Contractors submit their certified payrolls monthly[1] to DPW prior to receiving payment for the contract, and DPW withholds contract payments if DPW determines that the contractor is not complying with the prevailing wage requirement. DPW's Bureau of Construction Management is responsible for monitoring compliance with the prevailing wage requirements. Currently, DPW reimburses the Human Rights Commission (HRC) on a work order basis for 1.0 FTE to monitor contractor payroll records for compliance with prevailing wage requirements. The amount of time

[1] Contractors are required to maintain payroll records for each pay period within the month and to submit these records ("certified payroll") monthly, prior to receiving payment on the contract.

allocated to each contract for the HRC representative to monitor compliance is determined by the amount budgeted in that contract for monitoring compliance. Mr. Williams states that compliance monitoring requires about 0.5 percent of the contract budget, and that a $1,000,000 construction contract would allocate $5,000 for prevailing wage contract compliance.

Mr. Williams states that not all certified payrolls submitted by contractors and their subcontractors are monitored. DPW reviews the initial payrolls to determine if the contractors and subcontractors are in compliance with the prevailing wage requirements. Additionally, payrolls are monitored throughout the year, when prevailing wage rates and associated benefits (such as health pension benefits) change. On a random basis during the contract, or if DPW receives complaints from workers or from the unions regarding noncompliance of a DPW contractor, DPW staff will conduct a site visit and interview contractor employees, to determine if workers are paid the correct hourly wage for the correct number of hours. The DPW resident engineer at the construction site is responsible for determining if the workers' jobs are correctly classified. According to Mr. Williams, about 20 to 25 percent of the certified payrolls are reviewed and site interviews are conducted for about 5 to 10 percent of the contracts.

4. According to Mr. Boon Lim of PUC, PUC has approximately 30 active construction contracts. Mr. Lim states that the PUC resident engineer working with the contractor is responsible for reviewing the certified payroll of the contractor each month. According to Mr. Lim, PUC staff review the certified payrolls on a random basis and such review requires approximately 1 to 2 hours per contract per month.

5. According to Mr. Leo Bragagnolo of the Port, the Port has approximately 12 active construction contracts at this time. Mr. Bragagnolo states that monitoring compliance with the prevailing wage ordinance is the responsibility of the individual construction manager. The construction manager reviews the first certified payroll submitted by the contractor and conducts spot checks of subsequent

certified payrolls. According to Mr. Bragagnolo, the contractors are generally found to be in compliance with the requirements of the prevailing wage ordinance.

6. According to Ms. Alberta Grant of Muni, Muni currently has approximately 100 active construction contracts, most of which are funded by the Federal Transportation Agency. Ms. Grant states that Muni resident engineers are responsible for collecting certified payrolls from the prime contractors and their subcontractors. These certified payrolls are then forwarded to Muni's Contract Compliance Office for review. Once they are reviewed they are returned to the resident engineer assigned to the project for entry into the files for the project. Ms. Grant states that the Contract Compliance Office conducts non-scheduled on-site visits of construction projects for various reasons, including to check that the employees working on the project are the same as that identified in the certified payroll. Additionally, Ms. Grant states that the Contract Compliance Office receives a few complaints from workers or from unions regarding the problems at Muni construction projects. Such complaints are tracked until the problem is identified and resolved. Ms. Grant states that only a portion of the complaints received are about the certified payroll and that most of the complaints are minor and can be settled easily.

7. Proposition C, which was passed by the San Francisco voters in March of 2000, amended the City Charter to give RPD the authority to enter into major construction projects. According to Mr. Rick Kimball of RPD, RPD is in the process of setting up a program to monitor compliance with prevailing wage requirements as part of its construction management program. Mr. Kimball states that, currently, DPW is managing RPD construction projects, including prevailing wage compliance.

8. As noted above, the Airport, DPW, PUC, Muni, and the Port currently have procedures in place to monitor contractor payroll information and to determine compliance with prevailing wage requirements. These departments determine compliance with the prevailing

wage requirements prior to issuing payments to the contractors

The proposed ordinance would authorize the DAS Labor Standards Enforcement Officer to develop and implement a plan for <u>enforcement</u> of the prevailing wage requirements and to direct the City's enforcement of such requirements. The proposed ordinance requires that City departments cooperate with the Labor Standards Enforcement Officer. In addition to the monitoring functions currently performed by City departments, the Labor Standards Enforcement Officer would be responsible for seeking penalties for violations of the prevailing wage requirement, including filing charges and seeking debarment[2] of a contractor. The Labor Standards Enforcement Officer would also oversee the training of City personnel in the area of labor standards enforcement.

9. According to Mr. Riddle, the proposed ordinance would apply only to construction contracts, pursuant to Administrative Code Chapter 6, and would not apply to classifications which are subject to prevailing wage provisions under separate City ordinances or Administrative Code chapters, such as janitorial services.

Recommendation: Because City departments with responsibility for monitoring prevailing wage compliance would continue to do so, the new Office of Labor Standards Enforcement would result in additional costs to the City. Therefore, the Budget Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

[2] "Debarment" would include termination of the contractor from the existing contract and exclusion of the contractor from future City contracts.

Prevailing Wage Enforcement Budget FY 00-01

		Class	FTE*	Biweekly Salary	FY 00-01 Salary	FY 00-01 Total	FY 01-02 Total
01	Salaries						
	Special Assistant XV	1375	0.6	3,846	59,998	59,998	100,381
	Sr. Management Assistant	1844	0.6	2,514	39,218	39,218	65,615
	Special Assistant VI	1365	0.6	1,859	29,003	29,003	48,524
027	Contract Audits **					250,000	500,000
040	Materials & Supplies						
	2 computers @ 3000 ea					6,000	0
	1 printer					1,000	0
	1 fax					2,000	0
	misc office supplies					1,000	1,000
081	Workorders for LHP, DTIS, CAT					10,000	5,000
TOTAL						398,219	720,520

* Assumes a hiring date of November 15, 2000
** The Labor Standards Officer may also allocate some portion of the contract audit budget via workorder to the Audit Division of the Controller's Office.

Source: Department of Administrative Services

Item 2 - File 00-1608

1. This is a hearing to consider the release of $1,414,943 in reserved funds in the Fire Department's Fiscal Year 2000-01 budget for overtime expenditures.

2. During the FY 2000-01 budget hearings, the Finance and Labor Committee recommended that one third of annual overtime expenditure budget for several City departments be placed on reserve so that the Committee can monitor spending for overtime during the fiscal year. The Fire Department's approved FY 2000-01 General Fund budget includes overtime expenditures of $6,475,028. $1,866,591 of this amount was placed on reserve, leaving $4,608,437 available for expenditure.

3. In a letter to the Finance Committee dated September 8, 2000, Acting Chief of the Fire Department Tabacco sent a letter to the Finance and Labor Committee requesting that the Committee release $1,414,943 of the $1,866,591 in previously reserved overtime funds. The letter attributed high overtime spending through the first 3.5 pay periods of FY 2000-01 to the following:

- The need to increase staffing of Fire Department sworn personnel assigned to the City's Emergency Communications Center from 40 to 59;

- Increased use of sick leave, temporary disability pay and light duty associated with pending retirements, causing vacancies in Fire Suppression staffing and increased overtime to meet minimum daily staffing requirements; and,

- A high rate of "retirements and retirement payouts" during the first two months of the fiscal year.

4. The Controller's latest projection report for salary and fringe benefit expenditures (including overtime) shows that as of the pay period ending September 1, 2000, the Fire Department has incurred General Fund overtime expenditures of $3,255,088. Therefore, through September 1, 2000 (or 4.5 of 26.0 pay periods in FY 2000-01) the Fire Department has already expended 50.3 percent of its total overtime appropriation of $6,475,028, and 70.6 percent of its available, unreserved overtime funding of $4,608,437.

Based on all salary and fringe benefit expenditures incurred during the pay period ending September 1, 2000, the Fire Department is projected to spend a total of $16,358,055 on overtime which is 152.6 percent or $9,883,027 more than the Department's total FY 2000-01 overtime appropriation of $6,475,028.

5. As of the writing of this report, the Controller's Office is working with the Fire Department to provide an estimate of overall salary and fringe benefit expenditures for FY 2000-01 because:

- Insufficient data is available at this time to develop a sound estimate of lump sum salary payments (for accumulated sick leave, compensatory time and vacation pay) to Firefighters that will retire during the current Fiscal Year; and,
- The Controller's Office is also reviewing budgetary requirements for Firefighter premium pay in order to calculate additional funding that may be required from the General Fund Salary and Fringe Benefits Reserve.

6. In addition to the Salary and Fringe Benefits Reserve transfer to the Fire Department budget, which will decrease the projected overall Fire Department budget deficit, the Fire Department estimates that the planned hiring of new personnel during the fiscal year will decrease the need for overtime expenditures since the new personnel will lessen the need to backfill vacant positions in order to meet scheduled staffing in Fire Suppression.

Overall, Ms. Debra Ward, Chief Financial Officer of the Fire Department, currently estimates that the Department will end FY 2000-01 with an overtime deficit of between $2.5 and $3.5 million and that this deficit will be substantially offset by salary and fringe benefit savings and anticipated surplus revenue from the Bureau of Fire Prevention. However, Ms. Ward's projection does not take into account funding that will be transferred to the Fire Department budget from the Salary and Benefits reserve, offset by further projected deficits that will result from lump sum salary payments to Firefighters that will retire during the current Fiscal Year.

Based on year to date and expected retirements for the fiscal year, the projected deficit from lump sum salary payments for accumulated sick leave, compensatory time and vacation pay could amount to between $3,000,000 and $5,000,000 by the end FY 2000-01. It is likely therefore that a supplemental appropriation for the Fire Department will be required during Fiscal Year 2000-2001. However, at this point in the Fiscal Year, the amount of such a supplemental appropriation cannot be determined at this time.

7. At the current rate of overtime spending, the Fire Department will exceed the $4,608,437 available, unreserved overtime appropriation during the pay period ending October 13, 2000. Using the same rate of spending, the Fire Department will exceed its total overtime appropriation of $6,475,028 by the end of November of 2000. Therefore the Fire Department's entire FY 2000-2001 budgeted overtime funds will be spent with seven months of the fiscal year still remaining (December through June of 2001).

8. The Fire Department is currently preparing a spending plan for FY 2000-01 for review by the Controller's Office. Also, as noted above, the Controller is presently calculating the amount of funding required from the General Fund Salary and Fringe Benefits Reserve to fund the Fire Department's MOU-related expenditures for sick leave buyouts and premium pay. Until such information is finalized, a reliable year end spending projection for the Fire Department cannot be completed.

Recommendation: Continue this hearing one week in order to allow for the compilation of additional data to provide a year end projection of Fire Department spending.

Item 3 – File 00-0635

Note: This proposed ordinance was continued by the Finance and Labor Committee at its meeting of September 20, 2000 in order to receive comments from the Public Utilities Commission. According to Mr. Lawrence Klein of the PUC, the Public Utilities Commission will consider the proposed ordinance at its meeting of September 26, 2000 and the results of this consideration will be reported to the Finance and Labor Committee at its meeting of September 27, 2000.

Item: Ordinance Amending Article 7 of the San Francisco Administrative Code by adding a new Section 2A1.35, providing that, effective in FY 2000-2001, a portion of surplus Hetch Hetchy revenues previously transferred to the General Fund would be appropriated for PUC capital projects instead of retained in the General Fund, and providing for annual increases of the percentage of such surplus Hetch Hetchy revenues to be retained by the Public Utilities Commission for PUC capital projects instead of transferring such monies to the General Fund.

Description: Charter Section 16.103(b)3 provides that the Public Utilities Commission, with the concurrence of two-thirds of the Board of Supervisors, may authorize the transfer of any portion of Hetch Hetchy surplus funds, as defined by the Charter, to the General Fund upon making all of the following findings of fact and judgment:

(A) That a surplus exists or is projected to exist after meeting the requirements of this section;

(B) That there is no unfunded operating or capital program that by its lack of funding could jeopardize health, safety, water supply or power production;

(C) That there is no reasonably foreseeable operating contingency that cannot be funded without General Fund subsidy (meaning that the unappropriated fund balance for the Hetch Hetchy operating fund is sufficient to meet any "reasonably foreseeable operating contingency"); and

(D) That such a transfer of funds in all other respects reflects prudent utility practice.

The proposed ordinance states that whenever surplus Hetch Hetchy revenues are transferred to the General Fund, a portion of that transfer shall instead be appropriated to the PUC for *"construction, rehabilitation and repair of potable water distribution and wastewater collection facilities under the control and authority of the PUC".*

The proposed ordinance further provides that 10 percent of the FY 2000-2001 Hetch Hetchy surplus transferred to the General Fund shall be reappropriated to the PUC for capital projects.

Lastly, the proposed ordinance states that for all fiscal years subsequent to FY 2000-2001, 10 percent of the amount of surplus Hetch Hetchy revenues to be transferred to the General Fund shall instead by reappropriated to the PUC for PUC capital projects and such surplus for the PUC shall increase by ten percent each fiscal year. Based on this proposed provision, after ten years, beginning in FY 2010-2011, all surplus Hetch Hetchy revenues that would have otherwise been transferred to the General Fund shall instead be appropriated for PUC capital projects including construction, rehabilitation and repair of potable water distribution and wastewater collection facilities under the control and authority of the PUC, with no further Hetch Hetchy transfers to the General Fund.

Comments:

1. The FY 2000-2001 budget, as adopted by the Board of Supervisors, is based on total General Fund revenue sources that include a transfer of Hetch Hetchy surplus revenues to the General Fund in the amount of $29,850,000. This Hetch Hetchy transfer for FY 2000-2001 is $10,000,000 or 25.1 percent less than the $39,850,000 transfer for FY 1999-2000.

If this proposed ordinance is adopted, ten percent of the FY 2000-2001 $29,850,000 Hetch Hetchy transfer to the General Fund, or $2,985,000, must be appropriated to the PUC for the PUC capital program. Such a reappropriation of General Fund sources would reduce the FY 2000-2001 General Fund General Reserve by $2,985,000 from $30,013,905 to $27,028,905. The percentage of surplus Hetch Hetchy funds to be appropriated to PUC capital programs instead of being transferred to the General fund would be increased 10

percent each year thereafter until FY 2009-2010 when 100 percent of such surplus funds would be appropriated to the PUC capital program instead of being transferred to the General Fund.

2. The decreased FY 2000-2001 Hetch Hetchy surplus transfer to the General Fund described in Comment 1 above is due to a combination of factors, including reduced revenue due to deregulation of the electric utility industry and increased expenditures for facilities maintenance and capital improvements. Over many years, the Hetch Hetchy surplus transfer to the General Fund has been a volatile revenue source, subject to a high degree of fluctuation. In dry years, a reduced water supply has resulted in reduced hydroelectric generation and reduced revenue. Even in wet years, storm damage has reduced the Hetch Hetchy surplus transfer to the General Fund because of increased facilities maintenance expenditures for repair and reconstruction.

The table below shows the amount of the Hetch Hetchy transfers to the General Fund for each of the last ten fiscal years, from FY 1991-92 to FY 2000-2001. The table shows that the amount of the Hetch Hetchy transfer to the General Fund has ranged from a low of $11,000,000 to a high of $$45,703,000. The average amount of the Hetch Hetchy transfer over the last ten years was $31,023,600.

Hetch Hetchy Equity Transfers to the General Fund
Source: Annual Appropriation Ordinance

Fiscal Year	Hetch Hetchy Transfer to General Fund
2000-2001	$29,850,000
1999-2000	39,850,000
1998-99	42,703,000
1997-98	45,703,000
1996-97	37,703,000
1995-96	30,165,000
1994-95	25,462,000
1993-94	30,800,000
1992-93	17,000,000
1991-92	11,000,000

Average:	$31,023,600
Minimum:	$11,000,000
Maximum	$45,703,000

3. The PUC has previously reported to the Board of Supervisors that, based on a draft 1998 12 year capital plan, spending requirements for the PUC's Water and Sewer enterprises amount to approximately $3,500,000,000. Funding for most such capital spending will require the expenditure of currently authorized revenue bonds and the authorization of new revenue bonds.

To the extent that PUC available funding is increased in the future through a reduction in Hetch Hetchy funds transferred to the General Fund, the need for future capital project funding through the issuance of revenue bonds can be reduced or, alternatively, increased capital projects can be completed.

However, the Budget Analyst notes that a reduction in General Fund funding sources through the gradual decrease, and eventual elimination, of the Hetch Hetchy transfer, will require either reduced General Fund spending, new General Fund revenue or some combination of the two in order to balance the General Fund budget in future fiscal years.

The table below illustrates the amount of the Hetch Hetchy transfer that would not be transferred to the General Fund and instead be retained by to the PUC for appropriation to the PUC capital program, assuming that the transfer amount remains constant over the next ten years at FY 2000-2001 levels. As noted above, the amount of the transfer can vary significantly.

Fiscal Year	Assumed Amount of Hetch Hetchy Transfer to General Fund[1]	Percentage to be Appropriated for PUC Capital Projects Instead of Being Retained by the General Fund	Amount to be Appropriated for PUC Capital Projects	Cumulative Amount to be Appropriated for PUC Capital Projects and Not Retained by the General Fund
2000 -01	$ 29,850,000	10%	$ 2,985,000	-
2001 -02	29,850,000	20%	5,970,000	$ 8,955,000
2002 -03	29,850,000	30%	8,955,000	17,910,000
2003 -04	29,850,000	40%	11,940,000	29,850,000
2004 -05	29,850,000	50%	14,925,000	44,775,000
2005 -06	29,850,000	60%	17,910,000	62,685,000
2006 -07	29,850,000	70%	20,895,000	83,580,000
2007 -08	29,850,000	80%	23,880,000	107,460,000
2008 -09	29,850,000	90%	26,865,000	134,325,000
2009 -10	29,850,000	100%	29,850,000	164,175,000

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

[1] Amount of Hetch Hetchy Transfer to General Fund is assumed to be constant beginning with the transfer budgeted for FY 2000-01. The actual funds available for transfer to the General Fund can vary significantly as discussed in Comment 2.

Item 4 - File 00-1596

Department: San Francisco Police Department (SFPD)

Item: Ordinance amending Chapter 10 of the San Francisco Administrative Code by adding Section 10.117-124, establishing a special account for the receipt and expenditure of funds and property received in restitution and forfeitures in various criminal enterprise investigation cases.

Description: The proposed ordinance would establish a special account for the SFPD to deposit funds obtained through Court-ordered restitution or from the sale of forfeited tangible property that was acquired through criminal enterprise activity. Under the proposed ordinance, criminal enterprise cases include, but are not limited to, organized bookmaking, gambling, pimping, pandering, and prostitution. The special account would be known as the Criminal Enterprise Investigations Restitution/ Forfeiture Account.

According to the proposed ordinance, monies in the subject account would be expended exclusively for the SFPD to investigate criminal enterprise cases, including payment of overtime for investigations. The funds would be used for the purchase of equipment, supplies and contractual services, the rental of undercover vehicles, gambling and wagering funds[1], and overtime related to criminal enterprise investigations, and other similar uses.

Approval of the proposed ordinance would authorize the SFPD to (a) establish the Criminal Enterprise Investigations Restitution/ Forfeiture Account for the deposit of funds from restitution and forfeitures, including funds obtained from the sale of tangible property received through various criminal enterprise cases and (b) expend funds deposited into the subject account to investigate criminal enterprise cases.

[1] According to Captain John Goldberg of the SFPD, "wagering and gambling" funds are cash used in police operations targeting bookmakers, illegal gambling, and other activities.

Expenditures under the proposed account would not be subject to Board of Supervisors appropriation approval, including payment of overtime for investigations.

Comments:

1. Administrative Code Section 10.117-54 provides for a similar special account, the Narcotics Forfeiture and Asset Seizure Fund, to deposit monies seized from narcotics investigations. Narcotics Forfeiture and Asset Seizure Fund expenditures are used exclusively for purposes related to the enforcement of narcotics law. The Narcotics Forfeiture and Asset Seizure Fund differs from the proposed special account in that the Narcotics Forfeiture and Asset Seizure Fund was (a) established pursuant to both Federal and State legislation and use of the funds is subject to Federal and State restrictions; (b) requires Board of Supervisors appropriation approval for all fund expenditures in excess of $10,000, except for expenditures needed for criminal investigation services; and (c) requires quarterly reports to the Mayor and the Board of Supervisors regarding expenditures from the fund.

2. According to Captain John Goldberg of the SFPD, the SFPD proposes to establish the Criminal Enterprise Investigations Restitution/ Forfeiture Account to provide a mechanism, similar to the Narcotics Forfeiture and Asset Seizure Fund noted above, to receive funds obtained through Court-ordered restitution or forfeiture of property in various criminal enterprise cases other than narcotic cases. Captain Goldberg states that currently, SFPD only receives tangible property through the Narcotics Asset Forfeiture Program. The proposed ordinance would change the existing practice by establishing a special account to receive funds from forfeitures and restitution, including funds from the sale of tangible property seized through investigations of criminal enterprise cases. Expenditure of funds from the proposed special account would be earmarked for Police investigations, as described above.

3. According to Captain Goldberg, in FY 2000-2001 the SFPD has allocated approximately 30,000 hours of overtime to the Investigations Bureau for investigations, arrests, and miscellaneous expenditures. The overtime funds are allocated on a case-by-case basis, depending

upon the amount of overtime required to complete an investigation and the availability of other forms of reimbursement. Captain Goldberg states that confidential investigations of operations, such as gambling or fencing, can be long and expensive, requiring the allocation of a large number of overtime hours. According to Captain Goldberg, the proposed special account would provide funds in addition to the monies in the SFPD budget to conduct such investigations, including the payment of overtime for investigations.

4. Captain Goldberg states that, in addition to providing a mechanism for the deposit of funds received from Court-ordered restitution or forfeiture of property described above, the special account would receive funds from cost recovery fees awarded to the SFPD in dispute resolution hearings. Currently, the District Attorney's Office refers some criminal cases, such as prostitution or crimes against prostitutes, gambling, bookmaking, illegal tobacco or alcohol sales, or massage parlor permit violations, to a dispute resolution hearing rather than to a trial court. The District Attorney has a contract with a private organization, California Community Dispute Services (Dispute Services), to conduct resolution hearings on these cases. If the Dispute Services hearing officer determines that the individual violated the law, the hearing office assesses a cost recovery fee for the violation to be paid by the individual to the City. The cost recovery fees are based upon documentation provided by the SFPD and generally ranges from \$300 to \$500 per case. In addition, the individual must pay to Dispute Services a fee for the hearing, ranging from approximately \$100 to \$250.

5. In March of 2000, the Controller issued an audit report, identifying problems in the receipt and expenditure of dispute hearing cost recoveries and recommending corrective action. The Controller determined that the SFPD (a) did not maintain adequate records of the monies that it collected, (b) did not deposit all of the collected monies into the General Fund, as required by City procedures, (c) deposited some of the monies inappropriately into other SFPD accounts or used monies inappropriately to pay for goods and services; and (d)

incorrectly classified the monies as "reductions in expenditures" rather than as revenues.

Prior to the Controller's audit, the cost recovery fees were collected by the SFPD Vice Crimes Division and paid by cashier check to the Vice Crimes Division. As a result of the Controller's audit and to avoid misappropriation of the funds, the SFPD procedure was changed. Under the new procedure, the cost recovery fees are collected by Dispute Services, paid by cashier check to the City and County of San Francisco, and deposited into the General Fund. From January 2000 through August 2000 the SFPD received a total of $40,716.71 of such cost recovery fees, which were deposited into the General Fund.

The Controller's audit approved the procedural changes implemented by the SFPD in December of 1998, and did not recommend a special account for deposit and expenditure of such funds. Captain Goldberg states that the procedural changes resolved the accounting and procedural problems but that they did not resolve the issue of reimbursement to the Department for expenses incurred. According to Captain Goldberg, it is the intention of the Court and Dispute Services to reimburse the SFPD directly for the expense of conducting investigations. The Budget Analyst notes that the cost recovery fees are deposited to the General Fund, and therefore offset General Fund contributions to the SFPD to conduct such investigations.

6. According to Captain Goldberg, expenditure of funds from the proposed special account, including payment for overtime for investigations, would be authorized by the Chief of Police and would <u>not</u> require appropriation approval by the Board of Supervisors. The proposed ordinance provides that administration of the account and expenditure of such funds would be in accordance with the City Charter and the procurement procedures prescribed by the Controller and the City Purchaser. Captain Goldberg states that "the Department believes that the special account does not require Board of Supervisors appropriation approval because the ordinance itself contains sufficient controls which limit the purposes for and the manner in which the funds will be expended".

As noted previously, the Narcotics Forfeiture and Asset Seizure Fund requires appropriation approval by the Board of Supervisors for expenditures greater than $10,000, except for narcotics investigations.

7. In the attached memorandum (Attachment), the SFPD states that the proposed Criminal Enterprise Investigations Restitution/Forfeiture Account "would provide additional resources to the Police Department to conduct these types of investigations and would be consistent with the judicial intent, that in some cases, the Police Department should be awarded reimbursement or restitution for the expenses it incurred conducting that investigation".

8. According to the Controller's audit report, from July 1997 through December 1998, the SFPD collected $283,495 in Dispute Services cost recovery fees. Beginning in December of 1998, the SFPD began depositing these cost recovery fees to the General Fund. From January 1999 through August 2000, the SFPD has deposited $129,313 in cost recovery fees to the General Fund, which offset the General Fund cost of the Police Department.

9. Under the proposed ordinance, all restitution and forfeiture monies from criminal enterprise cases, including funds obtained from the sale of tangible property and cost recovery fees noted above, would not be deposited to the General Fund. These monies would instead become immediately available for discretionary expenditure by the Police Department without Board of Supervisors appropriation approval, including payment of overtime for investigations. Such funds would be expended in addition to expenditures approved by the Mayor and Board of Supervisors for the Police Department's annual budget. In the professional judgment of the Budget Analyst, the proposed special account is not only not needed but would permit the Police Department to expend funds without obtaining appropriation approval of the Board of Supervisors.

Recommendation: Disapprove the proposed ordinance.

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103

FRED H. LAU
CHIEF OF POLICE

Memorandum

To: Finance and Labor Committee Members

From: John R. Goldberg
Fiscal Division
San Francisco Police Department

Date: Thursday, September 21, 2000

Subject: Criminal Enterprise Investigations Restitution/Forfeiture Special Account
File NO: 00-1596

Recommended Action

The Police Department recommends that the Committee amend Chapter 10 of the San Francisco Administrative Code by adding Section 10.117-124, establishing a special account to record and deposit monies recovered from individuals and other entities assessed restitution, forfeiture or seizure for violating laws and ordinances. The establishment of this account would allow the Police Department to receive money directly or through the sale of tangible property, as ordered by the court, and to appropriate funds from this account for investigative purposes.

Background

The establishment of this account is in response to the Controller's audit of the Vice Crimes Division, which was completed in March of this year. Prior to the audit, funds received from cost recovery were collected by the SFPD Vice Crimes Division and used, in general, for investigative purposes; however, the Department and the Vice Crimes Division lacked legislative authority to do so. In response to those initial findings, the Police Department took immediate corrective action and, in the interim, began depositing those funds in the Police Department's General Fund as revenue. During this time, the Department awaited the Controller's final report. As revenue, the funds flow to the City's General Fund and are not earmarked for police investigative purposes. They are used as an offset to General Fund support of the Police Department. This ordinance provides appropriate controls and legislative authority to make those funds immediately available to the Police Department for specific investigative purposes.

Analysis/Reason for Recommendation

Without this legislation, the Department has no mechanism to expend court ordered restitution or forfeitures except through the budget process. While budgets are planned many months in advance, investigations are sometimes initiated on a moment's notice. Time and confidentiality make it imprudent to use the supplemental appropriation process for this purpose. The ordinance would provide additional resources to the Police Department to conduct various criminal enterprise investigations. Investigations of these types would include organized bookmaking, fencing, gambling, pimping, pandering and prostitution. Additionally, the legislation would be consistent with judicial intent, that in some cases, the Police Department should be awarded reimbursement or restitution for the expenses it incurred conducting that investigation. Many of these types of cases can be prolonged and expensive. Without a means to recover those costs, there is a reticence to commit substantial resources. To do so, would be at the expense of other investigative priorities, which the Department is unwilling to do.

Moreover, restitution or seizure could only take place after a criminal conviction or as part of a court-authorized disposition. Court authorized dispositions would include cases referred by the District Attorney to pretrial diversion programs.

Fiscal Implications

Overall, the proposal is cost neutral; however, there would be a minor impact to the City's General Fund. This ordinance would authorize ongoing expenditures not to exceed the funds available in the special account. Deposits for the first nine months of the current calendar year total $40,716.71.

Item 5 – File 00-1556

Department: Purchasing Department

Item: Resolution designating El Latino newspaper to provide outreach advertising services to the City for the Hispanic/Latino community, and designating Asian Week and the International Daily News to provide outreach advertising to the City for the Chinese community; and authorizing the Purchasing Department to execute contracts with only those outreach newspapers that fully comply with all City contracting requirements, including equal benefits requirements, and in accordance with the highest scores and ranking resulting from the evaluation of bids received for outreach advertising; and further urging the San Francisco Redevelopment Agency and the San Francisco Housing Authority to cooperate with the Clerk of the Board and the City Purchaser to use the outreach newspapers; and further recommending the Clerk of the Board and the City Purchaser to jointly oversee outreach newspapers contract to ensure compliance regarding advertising, publication and translations; and further authorizing the Clerk of the Board and the Purchasing Department to explore and recommend to the Board additional outreach newspapers for communities of Russian, Southeast Asian, Korean and Filipino populations.

Description: Proposition J, which was approved by the San Francisco electorate in November of 1994, provided, in part, for an Outreach Advertising Fund to be established for the purpose of the City placing "outreach advertising" or weekly notices of items pertaining to governmental operations in periodicals selected to reflect the diversity in race and sexual orientation of the population of the City. Outreach advertisements include, but are not limited to, information about issues that are being reviewed by the Board of Supervisors and that directly affect the public. Proposition J requires the City to withhold 10 percent of the amounts paid for official advertising and deposit the monies in the Outreach Advertising Revenue Fund.

Comments: 1. The City's official advertising is divided into two categories:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with Section 2.103 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The Official Newspaper must publish at least 5 days a week for Type 1 Advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Official advertising, which must be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of weeks. The Official Newspaper must publish at least 3 days a week for Type 2 Advertising.

Pursuant to Proposition J and in accordance with Section 2.81-2(a) of the Administrative Code, the City is required to withhold 10 percent of the annual amounts paid for the City's Type 1 and Type 2 official advertising and to deposit these monies into the Outreach Advertising Fund.

The Purchasing Department estimates that the FY 2000-2001 cost for the City's Type 1 ($23,860) and Type 2 ($917,670) official advertising would total $941,530. Therefore, the estimated amount available for outreach advertising is $94,153, or 10 percent of the $941,530.

2. According to Mr. Harold Guetersloh of the Controller's Office, there is a balance of approximately $65,133 in the Outreach Advertising Fund as of September 20, 2000.

3. Since the passage of Proposition J, approved by the voters in November of 1994, bid prices are only one of several factors evaluated and considered when determining the designated outreach newspaper. With the passage of Proposition J, the Purchasing Department is required to recommend to the Board of Supervisors the newspaper with the highest total point score. According to the Purchasing Department, the International Daily News received the highest score of all bids received, El Latino received the second highest score of the two

Hispanic papers, and Asian Week had the third highest score of the six Chinese newspapers.

4. The International Daily News does not comply with the City's Administrative Code and does not qualify to be an outreach advertising newspaper under the bidding process because The International Daily News is not printed in San Francisco and does not comply with the requirements of chapter 12B, the equal benefits requirement of the Administrative Code. However, according to Mr. Luis Espinoza of the Purchasing Department, the International Daily News is in the process of complying with the equal benefits requirement through the Human Rights Commission.

El Latino does not comply with the City's Administrative Code and does not qualify to be an outreach advertising newspaper under the bidding process because El Latino is published monthly and is not published weekly as required, and their bid was submitted to the Purchasing Department late.

5. Mr. Edwin Lee, Director of Purchasing at the Department of Administrative Services, states in a letter dated May 10, 2000 to the Clerk of the Board, that the Board of Supervisors may designate a non-qualifying newspaper to provide neighborhood outreach advertising services to those communities who are underserved by the qualifying newspapers. Mr. Rob Maerz of the City Attorney's Office, advises that Section 2.81-4 of the Administrative Code states, "If the Board of Supervisors finds that certain neighborhoods are not being adequately served by the official newspaper(s) and the outreach periodicals, the Board may authorize additional advertising in monthly neighborhood publications which target certain neighborhoods in San Francisco. (Added by Proposition J, 11/8/94.)" Therefore, according to Mr. Maerz, in the subject resolution, the Board of Supervisors may find that the Chinese and Hispanic communities are underserved and designate the International Daily News and El Latino to provide neighborhood outreach advertising services to the Chinese and Hispanic communities even though the International

Daily News and El Latino do not qualify to be outreach advertising periodicals through the bidding process.

6. El Latino would join El Reportero, which has previously been authorized by the Board of Supervisors as an outreach advertising periodical, to provide outreach advertising to the Hispanic community. The International Daily News and Asian Week would join the Chinese Times, which has previously been authorized by the Board of Supervisors as an outreach periodical, to provide outreach advertising to the Chinese community.

7. According to the Purchasing Department, Asian Week fully complies with all City contracting requirements and qualifies to be an outreach advertising newspaper through the bidding process.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Items 6 and 7 – Files 00-1265 and 00-1267

Note: These items were continued by the Finance and Labor Committee at its meetings of August 23, 2000 and September 20, 2000. The Transportation and Land Use Committee, at its meeting of August 22, 2000, recommended that File 00-1265 be moved to the full Board of Supervisors for approval.

Departments: Department of Administrative Services, Real Estate Division
Department of City Planning
Mayor's Office of Business and Economic Development
Redevelopment Agency

Item: Item 5, File 00-1265: Resolution affirming the certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Redevelopment Agency Commissions, and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project, and various other actions necessary to implement the project.

Item 6, File 00-1267: Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco and the Redevelopment Agency, under which the City agrees to a pledge by the Redevelopment Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C., a subsidiary of Forest City Enterprises, Inc. in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate in connection with the development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law; making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the

agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Description of the Project:

Emporium Development, L.L.C. (the Developer)[1] has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings (the Project Site Area) as a multi-story, multi-use complex with rerouted portions of Jessie Street on either side of it (the Project). The proposed 1,607,000 gross square foot complex would comprise:

- A shopping galleria (up to approximately 505,000 square feet), anchored by a new Bloomingdale's Department Store (an additional 375,000 square feet), for up to a total of approximately 880,000 square feet.
- Entertainment, restaurant, and cinema space (up to approximately 115,000 square feet).
- Office space (up to approximately 237,000 square feet).
- A hotel tower comprising up to 465 hotel rooms (up to approximately 375,000 square feet).

Construction of the Project is scheduled to take 28 months, commencing in December of 2000 for completion by March of 2003. In addition to the construction of the proposed 1,607,000 square foot complex described above, construction would involve:

- Restoring historically significant portions of the former Emporium Building, which is considered to be a significant building under Objective 12 of the Downtown Plan Element of the General Plan. The proposed Project would preserve the following elements of the Emporium Building: its Market Street façade, much of the front 65 feet of the building (which would require seismic upgrading), the dome, and the rotunda. The remainder of the Emporium Building and other existing structures in the Project Site Area would be demolished.
- Constructing underground links to the Powell Street MUNI and BART station.

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[1] Emporium Development, L.L.C. is a California limited liability company which is ultimately controlled by Forest City Enterprises, Inc., a publicly traded Ohio corporation with assets in excess of $3,500,000,000.

With regard to the hotel component of the Project, according to Mr. Jesse Smith of the City Attorney's Office, the Developer would be required to build a pad for the hotel above the Mission Street retail/entertainment portion of the complex, and to use its best efforts to cause the hotel to be built. According to Mr. Smith and Mr. Kevin Warner of the Redevelopment Agency, the Developer has the following four main options in order to satisfy a condition to closing the combined Owner Participation and Disposition and Development Agreement (OPA/DDA):

(1) It could lease or sell the airspace to a separate hotel developer to construct the hotel (the most likely option)[2]. In this case, the Redevelopment Agency has the right to review the binding agreements between the Developer and the separate hotel developer for consistency with the OPA/DDA as a condition to closing.
(2) The Developer's parent company, Forest City Enterprises, Inc., could establish its own hotel developer subsidiary company to construct the hotel.
(3) The Developer could construct the hotel itself.
(4) The least likely option is that no hotel could be constructed. The last three options would require the Redevelopment Agency's approval before the closing could occur. According to Mr. Smith, under the proposed CEQA findings and assorted expert economic analyses, a reduced development proposal which does not include a hotel is deemed financially infeasible. Furthermore, according to Mr. Smith, the Developer has a significant financial incentive to ensure that the hotel is built because, among other things, if it was not built, the net available Property Tax increment contribution from the Redevelopment Agency would be substantially reduced.

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[2] According to Mr. Warner, it is estimated that the air space lease cost to a separate hotel developer would be either $1,125,000 per year during the Project's construction and $1,600,000 per year after the Project's opening, or a one-time sale price of at least $13,333,333 prior to the end of the development costs determination period (which would provide a minimum 12 percent to the Developer of approximately $1,600,000 per year). The development costs determination period is the period ending upon the earlier of (a) the first day of the first month after 95 percent of the mixed-use portion of the complex's space is leased and occupied, or (b) the end of the third year after the Project's opening.

The hotel could include up to 60 "interval ownership units" which are luxury suites with kitchen facilities. Fractional interests in these units would be sold in advance with occupancy rights for transient use over specific periods of time. According to Mr. Smith, the decision to develop such units would be a private matter between the Developer and the hotel developer, subject to the requirements of the Yerba Buena Center Redevelopment Plan and related plan documents (including the OPA/DDA). However, it is highly likely that such presold units would be built because they would provide the hotel developer with stable income. Furthermore, such units could be sold as residential condominium units if the criteria for parking, open space, and affordable housing specified in the proposed Yerba Buena Center Redevelopment Plan are met[3]. Approximately 16,100 square feet of the Project would be publicly accessible open space both inside the complex and on its roof. If the Project incorporates residential condominium units, additional open space would be provided for the residents.

Although the total parking requirement for the proposed Project has been estimated to be 1,330 spaces, no space has been set aside for parking. The proposal assumes that:

- Based on economic analyses commissioned by the Developer (reviewed and determined to be reasonable and accurate by a real estate economic consulting firm, Keyser Marston Associates, on behalf of the City and the Redevelopment Agency), construction of underground parking would be economically infeasible.
- The Project Site Area is located next to a public transit hub, and the City has a transit first policy.
- The adjacent parking building at Fifth and Mission Streets has some spare capacity[4] and DPT is examining

[3] If such a conversion takes place, the Developer (or the hotel developer) is liable for all development fees and exactions which would apply if such residential condominium units had been built outside of the redevelopment area. According to Mr. Smith and Mr. Warner, if the Redevelopment Agency's standard 20 percent requirement for affordable housing would require a greater in lieu payment, or the development of more affordable housing, than would be required by the Planning Code's affordable housing requirements, then the Redevelopment Agency's requirement would govern.
[4] According to Mr. Ron Szeto of DPT, peak occupancy for the parking garage at Fifth and Mission Streets occurs around 1 pm. In July of 2000, 1 pm occupancy was an average of 75-85 percent on Sundays through Fridays, and an average of 95-98 percent on Saturdays. In January of 2000, 1 pm occupancy was an average of 65-85 percent. During major conventions at the Moscone Convention Center (approximately 20 to 25 days per year), the garage can provide up to 105 percent occupancy,

possible expansion of that garage and other ways to add parking capacity nearby.

- Under the proposed mitigation monitoring program and the OPA/DDA, the Developer would be responsible for developing and implementing transportation initiatives for customers and employees.
- According to the Transportation Authority, the real traffic congestion problem in the South of Market Area is freeway access, not availability of parking.

The Budget Analyst notes that other current and projected downtown developments (including the Ferry Building renovation, the Pier 1 development, MUNI's hotel project at Mission and Steuart Streets, and the Moscone Convention Center expansion) also do not propose to construct new parking spaces in the downtown area. If the interval ownership units in the hotel are converted to residential condominium units, the Developer would be required to either:

(a) Provide one parking space for every four residential condominium units if such parking spaces are located within 600 feet of the Project, or one parking space for every two residential condominium units if such parking spaces are located elsewhere in the South of Market Area; or,

(b) Pay an in-lieu fee to the City in an amount equal to what it would cost the City to build the required number of parking spaces on City property, up to a cap of $8,333 per unit for a maximum of 60 units ($500,000), based on the number of units the Developer or hotel developer elects to convert.

Description of the Emporium Site Area:

The approximately 6.77 acre Emporium Site Area comprises a number of land parcels:

- The former Emporium Building at 835 Market Street and adjacent warehouses and office buildings presently owned

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due to the provision of a valet parking service. During these periods, DPT also coordinates with other garages in the area to maximize parking capacity. This information is consistent with the survey performed by transportation consultant Wilbur Smith for the Developer, according to Mr. Smith.

by Bloomingdale's, Inc. (Assessor's Block 3705, Lots 13, 14, 15, 17, 18, 33, 38 and 43).

- Buildings owned or held under option by the Developer (Assessor's Block 3705, Lots 9, 10 and 12).
- A 15,420 square foot portion of the 33,023 square foot section of Jessie Street which runs east-west between Fourth Street and Fifth Street to be vacated and sold by the City, through the Redevelopment Agency, to the Developer for $3,100,000.
- An approximately 100,000 square foot portion of Mission Street extending to the Mission Street wall of the parking garage at Fifth and Mission Streets.

Of the Emporium Site Area's 6.77 acres, 4.48 acres form the Project Site Area on which the complex and the rerouted portions of Jessie Street would actually be built (Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38 and 43, and the subject portion of Jessie Street).

Attachment I is a map of the various parcels of land which comprise the Emporium Site Area. Attachment II is a plan of the Project complex and the proposed configuration of Jessie Streets West and East immediately adjacent to the complex. Attachment III is a map showing the geographic relationship between the Emporium Site Area and the Yerba Buena Center Redevelopment Project Area.

In FY 2000-01, all of the above parcels of land (including the current buildings) combined are assessed for Property Tax purposes at $69,957,924.

An economic analysis performed by a private real estate economics consulting firm, the Sedway Group (for the Developer), and reviewed and determined to be reasonable and accurate by Keyser Marston Associates, Inc. (on behalf of the City and the Redevelopment Agency), found that the portion of the Emporium Site Area on which the Emporium Building and the Emporium Annex are located (Assessor's Block 3705, Lots 38 and 43) would have substantial value, perhaps $26,000,000 or more, in their own right if the land were unencumbered by the requirement to restore the historic Emporium Building. However, the Sedway Group determined that Lots 38 and 43 have a negative value, even if all of the transferable development rights originally

associated with the site and potential historic tax credits are taken into account, because the cost of preserving and restoring the historic building exceeds the value of the renovated building. The Sedway Group concluded that there is no economic incentive for a property owner or developer to pursue another project on this site which involves rehabilitation of the Emporium Building. Therefore, although (a) the Emporium Site Area as a whole is assessed for Property Tax purposes at $69,957,924, and (b) two key parcels of land, Lots 38 and 43, would be worth $26,000,000 or more in their own right if unencumbered by the requirement to preserve the Emporium Building, the preservation of the Emporium Building imposes a significant cost constraint on the Developer.

On completion, the 4.48 acre (or 195,000 square foot) Project Site Area would be allocated to the following uses:

- 182,190 square feet for the complex's "footprint."
- 12,810 square feet for mid-block rerouting of Jessie Stret to Mission Street along both sides of the complex.

According to DPW, the subject mid-block portion of Jessie Street is no longer needed for present or prospective public use, with the condition that a public utility easement be reserved for Pacific Gas and Electric gas and electric facilities and Pacific Bell telecommunications facilities, and that Jessie Street be rerouted to either side of the complex. To achieve the required street rerouting, the Developer, together with Bloomingdale's, Inc. where required (see "Ownership" below), would dedicate, construct, and convey to the City 12,810 square feet of land to permit the mid-block rerouting of Jessie Street to Mission Street along both sides of the Project. (This would involve the demolition of the existing buildings on this land.) Of this 12,810 square feet of land, the Developer would dedicate, construct, and convey to the City approximately 6,405 square feet, or one half, for a newly created street, "Jessie Street West", and an additional approximately 6,405 square feet, the other half, for a newly created street, "Jessie Street East." According to the Redevelopment Agency, the new Jessie Streets West and East would facilitate efficient and safe traffic circulation for vehicles and pedestrians to serve the Project, including a 15-

bay truck loading and delivery area served from Jessie Street West.

Ownership: Bloomingdale's, Inc., an Ohio corporation, owns most of the Project Site Area[5]. Bloomingdale's, Inc. has deemed the existing Emporium Building as unsuitable for a new Bloomingdale's department store because it does not meet modern retail standards. However, Bloomingdale's, Inc. considers the costs of building only a new department store building to be prohibitive given the requirement to preserve the historic features of the Emporium Building. Therefore, Bloomingdale's, Inc. wishes to be part of a larger development to enhance the patronage to its Bloomingdale's department store, while lowering its cost of occupying the space. Consequently, Bloomingdale's, Inc. has partnered with the Developer to create a mixed use complex. Upon the Developer's completion of (a) the shell and core of the department store, (b) the hotel pad, and (c) the mixed-use portion of the Project, Bloomingdale's, Inc. will convey all of the project site property to the Developer in exchange for a $30,000,000 shell build-out for, and fee ownership of, its Bloomingdale's department store. Effectively, the Developer would pay Bloomingdale's, Inc. $30,000,000 for (a) the land, and (b) its commitment to operate a Bloomingdale's department store as a major attraction for the retail portions of the mixed-use complex[6].

The Developer would be responsible for the costs associated with the termination of existing leases for property within the project site and any relocation assistance costs associated with existing business tenants. Certain existing office and retail uses would be provided with relocation benefits to the extent they are eligible under the Yerba Buena Center

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[5] Bloomingdale's, Inc. owns most of the Project Site Area except (a) Assessor's Block 3705, Lot 9, which is owned by the Developer, (b) Assessor's Block 3705, Lots 10 and 12, which are under option to the Developer, and (c) the subject portion of Jessie Street.

[6] The structure of the proposed transaction is laid out in Recitals H and I of the draft OPA/DDA. The Developer anticipates, firstly, acquiring fee title to Lots 10 and 12 and to the subject portion of Jessie Street, and then conveying fee title to all of its holdings to Bloomingdale's, Inc. Bloomingdale's, Inc. would then ground lease the entire project site to the Developer during the Project's construction. Upon completion, Bloomingdale's, Inc. would convey fee title to the project site (excluding the department store parcel) to the Developer, thereby terminating the ground lease. Under a separate agreement, Bloomingdale's, Inc. and the Developer would enter into a Reciprocal Easement Agreement which is anticipated to include an operating convenant for Bloomingdale's, Inc. to complete the build-out of, open, and operate a Bloomindale's department store.

Redevelopment Plan or State redevelopment law. They could be relocated either within or outside the Project. There are no existing residential uses.

Funding Arrangements:

According to Mr. William Carney of the Redevelopment Agency, the Project is expected to increase the value of the Emporium Site Area by $516,210,742[7], from its current assessed valuation (for Property Tax purposes) of $69,957,924 to $586,168,666. This projected increase in assessed valuation would result from improvements funded by a combination of:

- Private investment (see "Ownership" above); and
- Redevelopment Agency contributions of Property Tax increment funding up to a maximum amount of $27,000,000 (see Comments No. 4 through 10 below). The maximum amount of $27,000,000 represents the net present value[8] as of the Project's opening.

Based on the projected increased valuation of $516,210,742 once the Project has been completed and the FY 2000-01 Property Tax rate of $1.136 per $100 of assessed valuation, increased Property Tax revenue from the completed Project would total $5,864,154 annually. The size of the annual Property Tax increment contributions made by the Redevelopment Agency (funded by the incremental Property Tax revenues being generated as the Project is constructed) would be reduced if there was better than expected performance against net sales proceeds or net refinancing proceeds benchmarks (i.e. when net sales or refinancing proceeds exceed development costs less $25,000,000[9]).

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[7] This amount of $516,210,742 comprises:

- A projected $447,984,612 on the secured roll (i.e. taxable real property) consisting in rounded figures of (a) $46,000,000 for the Bloomingdale's department store shell, core, and fit-out, (b) $57,000,000 for the hotel, (c) $113,000,000 for 60 interval ownership units, and (d) $232,000,000 for other retail, entertainment, and office spaces.
- A projected $68,226,130 on the unsecured roll consisting of tenant improvements for Bloomingdale's department store, and for the Project's retail, entertainment, and office space, based on an assumed square foot value for tenant improvements prepared by the Sedway Group and applied to the amount of new development.

[8] The subject proposal uses a net present value of future dollars based on a 7.5 percent annual discount rate.

[9] According to Mr. Smith and Mr. Warner, the amount of $25,000,000 means that at the time the Property Tax increment contributions could stop and the City's participation in Project revenues

In return for the Redevelopment Agency's Property Tax increment contributions, the City would participate in future net cash flow, net refinancing proceeds, and net sales proceeds from the Project (see Comments No. 11 through 14 below).

A 12 percent rate of return has been negotiated as a return on cost for the Developer and as a return on the Redevelopment Agency's investment of Property Tax increment assistance for the City. According to Mr. Warner, a 12 percent rate of return on cost for investors is reasonable in the current real estate development market. The Redevelopment Agency, the Mayor's Office of Economic Development, and independent real estate economics consultants reviewed mixed-use projects in large metropolitan areas and determined a range of returns on developers' costs from 10.5 percent to 13 percent, depending on the projects' varying components and market risk factors. Based on this analysis, a 12 percent annual return based on the one-time total cost of the Project was assessed as a reasonable rate of return given the risks to the Developer of the subject Project.

According to Mr. Warner, the 12 percent rate of return would be a simple, rather than compound, rate of return on the net operating income[10]. If the Developer achieved a higher than 12 percent rate of return on costs, there could be two benefits: (a) the Developer could require less Property Tax increment contributions from the Redevelopment Agency because the increment cutoff, based on the Developer's recovery of actual development costs less $25,000,000 from sales and refinancings, could be triggered (see Comment No. 8), and (b) the City's participation in the Project revenues could begin early because the Developer could achieve the

could begin, the Developer would not be entitled to recover all of its costs and would be required to retain significant equity in the Project for as long as the City has money in the Project (in the form of Property Tax increment which has not yet been repaid).

[10] Net operating income is defined as all gross revenues received by the Developer from the Project, less (a) operating expenses for each Developer fiscal year, and (b) the amount of the Capital Expenditures Reserve for each Developer fiscal year. It excludes any development cost item and there is no deduction for debt service. According to Mr. Smith and Mr. Warner, debt service is not deducted from gross revenues for the purpose of determining the net operating income and, therefore, the risk for debt service is solely carried by the Developer, to the City's benefit in the payment of participation.

net increase of net sales proceeds benchmarks before the 18th anniversary date of the Project opening (see Comment No. 12). Mr. Warner states that the City's participation would similarly be based on a 12 percent (simple interest) rate of return on the Redevelopment Agency's investment in the Project.

Project Approvals: The required Project approvals fall into the following four categories:

(1) Entitlements: these include (a) adopting related CEQA findings, mitigation measures, statement of overriding considerations, and mitigation monitoring program (File 00-1265 which will also be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), (b) amending the Yerba Buena Center Redevelopment Plan (File 00-1257 which has been referred directly to the Board of Supervisors for a public hearing on September 18, 2000), (c) amending the City's General Plan and Zoning Map so that they are congruent with the Yerba Buena Center Redevelopment Plan Amendment (Files 00-1256 and 00-1258 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), and (d) approving Jessie Street and Mission Street sidewalk widths, and parking and traffic regulations (Files 00-1259, 00-1311, and 00-1434 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

(2) Agreements for Development of the Project: these include approving (a) the OPA/DDA between the Redevelopment Agency and the Developer, and (b) an Owner Participation Agreement between the Redevelopment Agency and Bloomingdale's, Inc. According to Mr. Smith, neither the OPA/DDA, nor the Owner Participation Agreement between the Redevelopment Agency and Bloomingdale's, Inc. (which has yet to be finalized) require Board of Supervisors approval. However, Redevelopment Agency approval of these agreements is conditional upon the Board of Supervisors adopting the Yerba Buena Center Redevelopment Plan Amendment.

(3) Financing: this includes the subject resolution approving the use of Property Tax increment under a

Tax Allocation Agreement between the City and the Redevelopment Agency and a Financing Agreement between the City, the Redevelopment Agency, and the Developer.

(4) Site Assembly: this includes approving (a) the vacation of a portion of Jessie Street (having adopted the Resolution of Intent under File 99-2235, the Board of Supervisors has scheduled a public hearing for September 18, 2000), and (b) a Sale and Exchange Agreement for the conveyance by the City of the vacated street area and the conveyance by the Developer of areas for the rerouting of Jessie Street (File 00-1266 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

Comments: Yerba Buena Center Redevelopment Plan

1. According to Mr. Carney, the Redevelopment Agency is seeking to make the Project an approximately 6.77 acre extension to the existing 87 acre Yerba Buena Center Redevelopment Project Area. The purpose of the Yerba Buena Center Redevelopment Plan is to revitalize a substantial portion of the South of Market Area by creating a mixed-use civic center with cultural institutions, hotels, retail locations, affordable housing, and the Moscone Convention Center. The Project is deemed to be an appropriate extension of the Yerba Buena Center Redevelopment Area because it provides a major retail, entertainment, and hotel center in close proximity to the Yerba Buena Gardens and Moscone Convention Center, and enhances the pedestrian and public transit connections between those locations and Market Street.

2. Adding the Project to the Yerba Buena Center Redevelopment Project Area would provide the Redevelopment Agency with the necessary legal and financial ability to contribute Property Tax increment funding to the Project in order to alleviate the economic and physical blight of the Emporium Site Area, according to Mr. Carney. Furthermore, the proposed Yerba Buena Center Redevelopment Plan Amendment would modify some of the building height and size constraints of the City's Planning Code. Attachment IV is a memorandum provided by Mr. Carney which specifies the Planning Code modifications in

the proposed Amendment. The proposal to amend the Yerba Buena Center Redevelopment Plan is subject to pending legislation which, in accordance with the requirements of State redevelopment law, has been sent directly to the Board of Supervisors for consideration after a public hearing (File 00-1257 to be heard by the full Board of Supervisors on September 18, 2000).

3. According to File 00-1256 (an ordinance amending the San Francisco General Plan to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), any property to be included in the Emporium Site Area would be necessary for the effective redevelopment of that area, and would not be included purely for the purpose of enlarging the area eligible for obtaining Property Tax increment contributions from the Redevelopment Agency, and thereby increasing such contributions.

Property Tax Increment Contribution

4. According to Keyser Marston Associates, Inc. and the Sedway Group, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring several historic portions of the Emporium Building, site assembly, relocation of utilities, and construction of new streets. (Attachment V, provided by Mr. Carney, summarizes the six alternative scenarios.) For a developer to achieve an annual 12 percent rate of return on the cost of developing the Emporium Site Area, both real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding. The amount of $32,800,000 represents (a) approximately 6.4 percent of the total Project's incremental value of $516,210,742, or (b) approximately 10.9 percent of the Developer's capped development costs of $300,000,000[11]. However, according to Mr. Smith and Mr.

[11] Capped development costs are defined as the lesser of (a) actual development costs, or (b) $300,000,000 less a maximum of $15,000,000 for the gross sales proceeds from the hotel parcel (minus reasonable closing costs, brokerage fees, and prepayment penalties) if the hotel parcel is sold before the end of the development costs determination period (which is upon the earlier of either 95 percent occupancy or the end of the third year after opening). The $300,000,000 maximum capped

Warner, \$32,500,000 represents a much more significant gap in relation to the Developer's projected cash equity in the Project of approximately \$55,000,000.

5. In response to the identified "feasibility gap" of \$32,800,000, the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of \$27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures to alleviate blight and provide public benefits such as:

(1) The historic preservation costs associated with the Project. These are estimated to cost \$21,333,000[12]. Attachment VI provided by Mr. Carney, summarizes the estimated historic preservation costs.
(2) Site assembly and preparation (which includes \$3,100,000 to purchase the subject portion of Jessie Street).
(3) Transit and circulation improvements.
(4) Economic revitalization and job creation.

According to Mr. Smith and Mr. Warner, although these types of eligible expenditures for which Property Tax increment must be allocated are specified in an attachment to the Financing Agreement, the exact cost items on which the \$27,000,000 Property Tax increment funding would be expended have not yet been determined. They note, however, that the Developer would be required to report on what eligible costs it expends for the Property Tax increment contributions it receives.

6. The \$27,000,000 Property Tax increment contribution (net present value at the Project's opening) is a figure which

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development cost does not include the Bloomingdale's department store build-out and the construction of the hotel above the pad, and it could be decreased if the overall scope of the Project is reduced. According to Mr. Smith, capping development costs protects the City against cost overruns delaying the commencement of the City's participation term. It also limits the total amount of interest on the Developer's equity during construction which counts towards development costs. Lowering development costs could benefit the City in two possible ways: (1) it could accelerate reaching the financial benchmark for the early cessation of Property Tax increment, and (2) it could accelerate reaching the financial benchmark for the early commencement of participation in Project revenues.

[12] According to the Sedway Group, the cost and construction risk of retaining these historic elements and selectively demolishing the rest of the structure is much greater than demolishing the entire building and building on a clear site.

results from negotiations between the City and the Developer over the value of the entire feasibility gap. The $5,800,000 gap (approximately 1.9 percent of the Developer's capped development costs of $300,000,000) between the Redevelopment Agency's maximum Property Tax increment contribution of $27,000,000 (9 percent of capped development costs) and the estimated $32,800,000 "feasibility gap" (approximately 10.9 percent of capped development costs) would be closed by the Developer through one or more of the following mechanisms: reducing project costs through value engineering, increasing rental revenues, finding other funding sources, or by accepting a lower rate of return. While the $27,000,000 Property Tax increment contribution is only 9 percent of the capped development costs of $300,000,000, it represents a more significant contribution to Project development costs given that the Developer is expected to contribute equity in the amount of $55,000,000 up-front.

7. The Redevelopment Agency justifies the proposed Property Tax increment contribution of $27,000,000 in net present value as of the date the Project opens, or approximately 5.2 percent of the Project's projected increased value of $516,210,742, on the grounds that the Project would generate the following public benefits:

- The Project would revitalize the area of mid-Market and Mission Streets.
- The Project would retain, restore, or adaptively reuse significant historic features of the Emporium Building.
- The Project would create an estimated 2,300 direct permanent, full time equivalent jobs[13] and an estimated 1,100 construction jobs during the construction period[14]. The Developer would commit to targets for (a) the employment of economically disadvantaged individuals, South of Market Area residents, and San Francisco residents, and (b) tenant leases with minority and women-owned businesses.

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[13] Calculated by Keyser Marston Associates, for the City and the Redevelopment Agency.
[14] Also calculated by Keyser Marston Associates, which estimates that, in addition to direct jobs, the Project would generate in San Francisco an approximate 4,400 indirect permanent jobs, and 1,200 indirect construction jobs, as a result of the Project's economic "spin-off."

- The Developer would pay $800,000 into the City's First Source Hiring Program[15]. The Developer and other employers involved in the Project would be required to adhere to the City's First Source Hiring Ordinance and hire qualified economically disadvantaged individuals into entry level jobs.
- The Developer would pay $250,000 for special improvements to, or the operation of, Hallidie Plaza[16].
- The Developer would pay $1,500,000 for parking improvements in the South of Market Area or other parking solutions determined by the City (this expenditure would be separate from the parking expenditures described above which relate to the construction of residential condominium units).
- The Developer would implement a number of measures to encourage the use of public transportation by employees and customers.
- The Developer would spend at least $1,000,000 on Powell Street MUNI and BART station improvements, and at least $250,000 on off-site mitigation measures identified in the Environmental Impact Report for the Project.
- The Project would generate a projected $14,000,000 per year in new tax revenues for the City from the third year after the complex's opening (beginning in Year 2006)[17].
- The Project would contribute at least $16,000,000 in today's dollars to affordable housing over 30 years, which doubles the affordable housing fee which would otherwise be payable under the Planning Code. This would be paid on the basis of 20 percent of the Property Tax increment for the first 16 years from the effective date of the Board of Supervisors ordinance approving the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257)

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[15] The City's First Source Hiring Program is a job training and job referral program for economically disadvantaged San Francisco residents seeking entry-level jobs. In terms of the subject Project, it is anticipated that the Redevelopment Agency would administer the program for construction jobs, while the City would administer the program for permanent jobs. The Developer would designate and fund a liaison person to work with the Redevelopment Agency and the City to implement the First Source Hiring Program within the Project, in part by informing tenants of their obligation to advise the City about available entry-level jobs.

[16] This amount is approximately the same as would be payable if the Project site street frontages were part of the Union Square Business Improvement District.

[17] Keyser Marston Associates estimates $6,000,000 per year to the General Fund and $8,000,000 per year to other City funds (dedicated MUNI and DPW revenues, hotel tax funds, and child care fees). These estimates consist of total projected tax revenues (including all Property Tax increment) less the City's projected costs of providing additional services.

and 40 percent for years 17 to 30. The Project would also contribute a child care fee of $1 per square foot of new hotel and office space, for an estimated total contribution of $398,000. According to the Planning Department, additional fees would also be payable for open space (an estimated $46,000) and for transit impact (an estimated $115,000).

- An annual $200,000 payment would be made to the City (indexed for inflation through annual adjustments based on changes in the Consumer Price Index) for the first 15 years of the Project, or a one-time in-lieu payment of $2,250,000, if the Developer allocates hotel rooms as interval ownership units. These payments are a negotiated amount which would be in lieu of possible lost Hotel Tax revenues should such hotel units be converted to interval ownership units.

8. The Redevelopment Agency's Property Tax increment contribution would not exceed a cap of $27,000,000 in net present value as of the date of the Project's opening and would not continue beyond the earlier of (a) 13 years after the Project opens, (b) 16 years after the effective date of the ordinance adopting the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257)[18], or (c) the year in which the Developer receives net proceeds from refinancing or sale in an amount equal to, or greater than, actual development costs less $25,000,000.

In any year, the Redevelopment Agency's annual maximum Property Tax increment contribution to the Developer would not exceed 60 percent of the total Property Tax increment revenues generated within the Emporium Site Area that year. The Redevelopment Agency would pay the Property Tax increment contributions to the Developer on a "pay-as-you-go" basis, once annually, from the first year in which construction of the Project produces incremental assessed value[19]. No Property Tax increment revenues would be

[18] According to Mr. Smith, the 16 year period caps the risk to the Redevelopment Agency of a longer than anticipated construction period. This is subject to a possible maximum three year extension if there is major damage to the Project (outside the Developer's control) which reduces the annual net available Property Tax increment to the Redevelopment Agency by 10 percent or more.

[19] The Agency, subject to Board of Supervisors approval, would have the option to issue Tax Allocation Bonds and pay the Developer the Increment Liquidation Amount in lieu of pay-as-you-go increments, if that would be financially advantageous for the Redevelopment Agency. The

available beyond the Property Tax increment generated by the Project itself. The Redevelopment Agency's annual Property Tax increment contribution could equal the total increment collected on the assessed value of taxable Project property, less:

- The affordable housing set-aside.
- An approximately 20 percent statutory pass-through required under redevelopment law for payments to funding agencies (including the City, the San Francisco Unified School District, and BART).
- Up to 2 percent annual growth in the Property Tax base to adjust for inflation.
- An annual fee to the Redevelopment Agency of $65,000 for the first three years in which the Developer receives Property Tax increment, then $50,000 annually for the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation). These payments are intended to compensate the Redevelopment Agency for the costs of overseeing the Project.

9. According to the estimates prepared by the Sedway Group for six alternative development scenarios for the Emporium Site Area (as described in Attachment V), this preferred development plan requires the least public subsidy and provides the most public benefits. However, the other five alternative scenarios would preserve more of the historic Emporium Building and would conform more closely with

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Increment Liquidation Amount would be (a) the amount of any prepayment penalty, plus 97 percent of the difference between (a) $27,000,000 plus 7.5 percent annual interest, and (b) the Property Tax increment and interest contributed thus far. However, according to Mr. Smith, pay-as-you-go Property Tax increment contributions are preferable to tax allocation bonds. Tax allocation bonds are based on projected tax increment payments and are, therefore, at risk of reassessment or decreased tax revenues due to damage to the Project, and place more risk directly on the Developer (although pay-as-you-go makes it more difficult for the Developer to finance those proceeds). Conversely, the size of pay-as-you-go Property Tax increment contributions is determined by the Property Tax increment actually generated. Furthermore, tax allocation bonds would be more expensive because (a) the Yerba Buena Center Redevelopment Area has a shorter term which ceases between 2008 and 2010, thereby reducing the length of time available to amortize the bonds in the absence of a term extension or credit enhancement, (b) the Redevelopment Agency would have to pay transaction costs associated with issuing the bonds, and (c) the City and the Redevelopment Agency would need to safeguard against potential default on the bonds (such as obtaining a guarantee for shortfalls in tax increment funds to pay debt service costs).

existing Planning Code requirements. Mr. Tony Irons, the City Architect, has reviewed the construction cost estimates of the six Project alternatives and has deemed them reasonable, although he has not independently verified each component of the cost estimates.

10. The Budget Analyst has received extensive economic analysis related to the Developer's need for the Redevelopment Agency's proposed Property Tax increment contribution of up to $27,000,000 to ensure the viability of the proposed project. However, none of the six development scenarios for which economic analyses were prepared (as listed in Appendix V) contain information on Bloomingdale's, Inc.'s future plans for this valuable, centrally located site if the proposed Project did not proceed with the assistance of the Redevelopment Agency's Property Tax increment contribution.

While Federated Department Stores, Inc. has asserted that "the cost to bring to modern department store standards the historic, unreinforced masonry building, with its closely spaced columns and other challenges, is simply prohibitive" (refer to the letter contained in Attachment VII), the Budget Analyst cannot independently verify what Bloomingdale's, Inc. would do if the Project did not proceed. Therefore, the Budget Analyst is unable to determine the extent to which the asserted need for the Redevelopment Agency's proposed contributions of $27,000,000 in Property Tax increment to the Developer is necessary for the development of the property.

City Participation in Project Revenues

11. Under the proposed Project, in return for the City's Property Tax increment contribution, the City would participate in net cash flow, net refinancing proceeds, and net sales proceeds from the Project. The participation revenues, which would all go to the City's General Fund[20], would be generated on the following basis:

[20] Under the Tax Allocation Agreement, the Redevelopment Agency irrevocably assigns participation payments to the City.

- City participation in net cash flow is 35 percent of net operating income after the Developer recovers (a) for any participation payable in years 1 to 19 after the Project's opening, its 12 percent annual return on capped development costs plus accumulated net operating income shortfalls (and 12 percent interest on such shortfalls), and (b) for any participation payable in years 19 onwards, its annual 12 percent simple interest return on capped development costs.
- City participation in refinancings would be 35 percent of the Developer's net proceeds from a refinancing.
- City participation in sales would be 35 percent of the net proceeds from a sale.

Selling the hotel parcel would represent one-time participation for the City if it happens after the end of the development costs determination period. If it occurs before the end of that period, it would reduce the development costs but there would be no participation in the sale of the hotel parcel. According to Mr. Warner, if the hotel pad is sold for up to $15,000,000, both the Developer's actual development costs[21] and the capped development costs would be reduced accordingly to the benefit of both the Developer (in terms of overall Project financing) and the City (due to the potential increased likelihood that the Developer would reach the financial benchmark for the early cut-off of Property Tax increment). If the hotel parcel sale's proceeds exceed $15,000,000, those proceeds above $15,000,000 reduce only the Developer's actual development costs, not the capped development costs because of a negotiated $15,000,000 cap for hotel parcel sales proceeds. However, the City again benefits in that reduced actual development costs accelerate the City's participation in Project revenues.

12. The City's participation would begin on the earliest of:

- The year in which both (a) the Project's net operating income, exclusive of the City's Property Tax increment

[21] Actual development costs are defined as (a) the Developer's expenditures on development of the Project, and (b) 12 percent interest on the Developer's equity during the construction period. Development costs would be reduced by (a) the amount of Property Tax increment rebated to the Developer during construction, (b) any Project revenues received by the Developer during construction, and (c) the total net proceeds from a sale of the hotel parcel if it is sold before the end of the development costs determination period.

contribution, is equal to or greater than an annual 12 percent return on capped development costs, and (b) the balance of accumulated net operating income shortfalls (and annual 12 percent interest on such shortfalls) is zero.
- The year in which the Developer receives net sale proceeds less $25,000,000.
- The 18th anniversary date of the Project opening (projected to be approximately 2021 based on a Project opening of 2003).

Subject to the ongoing negotiations with labor union representatives, the Developer could be obligated to prepay $1,000,000 of the City's participation revenue in accordance with provisions relating to Bloomingdale's department store labor relations. According to Mr. Smith, such prepayment would be applied to the last participation dollars otherwise payable to the City.

13. The City's participation would be (a) capped at the total amount of Property Tax increment it had contributed, plus 12 percent simple interest on that total contribution, and (b) limited to a maximum term of 99 years. The Developer would have the right to buy out or prepay some or all of the City's participation at any time. Mr. Smith notes that the 99-year maximum term would cover a number of economic cycles, thereby protecting the City's participation against short-term economic downturns. Projections, however, estimate that full repayment of the City's Property Tax increment investment plus required interest would take 33 years. According to Mr. Smith, the City's participation rights are associated with the mixed-use portion of the Project, and would continue even if some or all of the mixed-use portion of the Project was sold or transferred to other owners.

14. Projections prepared by the Sedway Group for the Developer, and reviewed by Keyser Marston Associates on behalf of the City and the Redevelopment Agency, indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is estimated to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's

opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

Attachment VIII is a spreadsheet prepared by the Sedway Group summarizing the chronological breakdown of:

- The Redevelopment Agency's estimated cumulative Property Tax increment contributions in the amount of $40,747,639 between Years 1 and 12, which has a net present value of $27,000,000 using an annual discount rate of 7.5 percent, discounted to the Project's opening.
- The City's subsequent participation in net revenue in the amount of $42,741,661 between Years 19 and 24 (assuming a sale or refinancing in the amount of $17,060,937 in Year 23) by which time the City is projected to be repaid an amount equivalent to the Redevelopment Agency's Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).
- The City's subsequent participation in net revenue in the amounts of $76,578,791 between Years 25 and 33 by which time the City is projected to be paid a 12 percent simple interest return on the Redevelopment Agency's total Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).

Based on the assumed net revenue to be derived from the Project, and the projected 7.5 percent discount rate, the participation outlined in Attachment VIII equates to $27,000,000, plus 12 percent simple interest. According to Mr. Smith, the Sedway Group projections were reviewed and determined to be reasonable and accurate by Keyser Marston Associates, on behalf of the City and the Redevelopment Agency.

Key Risks to the City

15. According to Mr. Smith, the key risks to the City of proceeding with the proposed Project would be:

- The proposed construction is either not completed or not opened, and therefore blight in the Emporium Site Area is

not alleviated and the public benefits from the Project (including jobs and tax revenues) are not realized.

- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible due to, for example, better than expected Project revenues, lower than expected development costs, or higher than expected refinancing or sale proceeds.
- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated, thereby providing the City with neither the projected return on the Redevelopment Agency's investment of Property Tax increment, nor the projected public benefits (such as tax revenues, jobs, and economic revitalization).
- The hotel is not built thereby reducing the number of jobs, the revenue, and the tax increment generated by the Project.
- There is a disaster due to earthquake, fire, or some other catastrophic event which diminishes or delays the City's participation in Project revenues.

With regard to the proposed Project <u>not</u> proceeding, Mr. Smith states that the key risks to the City would be that Bloomingdale's, Inc. keeps the Emporium Building vacant, that no development occurs, and that, therefore, the City does not receive the public benefits which would accrue from the proposed Project (as outlined in Comment No. 7 above).

16. Mr. Smith advises that the proposed development contains the following provisions which would mitigate these risks:

- There is the inherent financial risk to the Developer (and its parent company, Forest City Enterprises, Inc.), Bloomingdale's, Inc., and the construction lender of not completing the Project because the Developer, Bloomingdale's, Inc., and the construction lender would be committing significantly more private dollars than the Redevelopment Agency would be contributing to the Developer in Property Tax increment.

- The subject portion of Jessie Street could not be conveyed, and escrow could not close, until the Developer has finalized its project financing, obtained the required permits, and met a number of other conditions to closing under the OPA/DDA[22].
- Even if the subject portion of Jessie Street was conveyed but the complex was not built, the City would have received the $3,100,000 payment (the November of 1999 appraised value of the property) and bonds or other security procured by the Developer to finance completion of the new Jessie Streets West and East, and an irrevocable offer to dedicate and convey fee title for the new street areas to the City.
- The City would have contributed only a projected $1,977,027 in Property Tax increment by the end of the 28 month construction period (based on a fully completed Project). The City could seek to have the Redevelopment Agency require repayment under any new or amended Owner Participation Agreement for which new consideration is required if alternative development proposals were to be constructed instead.
- The following provisions in the Financing Agreement would mitigate against the risk of the Redevelopment Agency contributing more Property Tax increment than the Project needs to be economically feasible: (a) Property

[22] According to Mr. Smith, the vacation of the subject portion of Jessie Street would not become effective until the Yerba Buena Center Redevelopment Plan Amendment and the General Plan Amendment ordinances take effect, and the Developer (together with Bloomingdale's, Inc. where required) has: (a) irrevocably dedicated the property for Jessie Streets West and East to the City; (b) agreed to construct the new Jessie Streets West and East, including required public utilities, pursuant to a street improvement agreement and permit; (c) furnished bonds or other security acceptable to the City to guarantee completion of the new street areas; and (d) ensured that the City has interim easements to maintain access to public utilities located in the subject portion of Jessie Street, and pedestrian and vehicular access to adjacent properties until Jessie Streets West and East are constructed.

The City proposes to sell and convey the subject portion of Jessie Street to the Redevelopment Agency for immediate sale and reconveyancing to the Developer. In turn, the Developer would (a) pay $3,100,000 directly to the City through escrow, and (b) dedicate, construct, and convey fee title to the City for Jessie Streets West and East. Therefore, according to Mr. Smith, the sale and conveyancing process is being held in two stages through a "simultaneous" escrow which ensures that the property is not conveyed to the Developer until all of the conditions for the commencement of the Project are satisfied. Mr. Smith states that this allows the Redevelopment Agency to serve as a clearinghouse for all of the closing conditions and helps protect the City's interest by ensuring that conveyance does not occur until the Developer is ready to begin construction. Neither the City nor the Redevelopment Agency would pay the transfer taxes and closing costs associated with the conveyance.

Tax increment contributions could only commence after construction actually begins, (b) Property Tax increment contributions could be terminated early based on better than expected performance against refinancing proceeds or net sale proceeds benchmarks, and (c) the City's participation in Project revenues could begin early if the Project meets cash flow or net sale proceeds benchmarks earlier than expected.

- If construction takes longer than 28 months (subject to force majeure[23]), the Redevelopment Agency could require specific performance measures, as permitted under the OPA/DDA.
- In the event of a disaster, the Developer would be obliged to restore up to the extent of insurance coverage[24].
- The maximum 99-year participation term would give the City time to fully recover its Property Tax increment contributions, plus annual 12 percent simple interest, even if there was damage to the complex or a market downturn.
- The parent company, Forest City Enterprises, Inc., would provide the City with a completion guarantee so that it would complete the construction of the complex if the Developer fails to do so, subject to Forest City Enterprises, Inc. being able to obtain the necessary financing. If Forest City Enterprises, Inc., despite using its best efforts, cannot obtain financing, it could terminate its obligations to complete so long as it pays back the Property Tax contribution it has received from the Redevelopment Agency, the annual 12 percent simple interest on the total contribution, plus a termination fee of $1,000,000 if the Project is less than 50 percent completed. According to Mr. Smith, this guarantee is a condition of the close of escrow under the OPA/DDA.
- The Developer has a financial incentive to have the hotel built (as outlined in "Description of the Project" above).
- A Financing Agreement covenant obligates the Developer to use commercially reasonable efforts to (a) enforce its

[23] An unexpected event outside of a party's control which delays that party's ability to perform under a contract.

[24] According to Mr. Smith, the Redevelopment Agency's Risk Manager has approved the Developer's required insurance coverage. After Project completion, the Redevelopment Agency would review the Developer's insurance coverage every five years to check that the Developer's insurance coverage is commercially prudent (subject to the limitations specified in Section 7.3 of the Financing Agreement).

operating covenants for the hotel and the Bloomingdale's department store[25], and (b) operate the mixed-use portion of the Project complex as required by its operating covenant with the City. If the Developer breaches this covenant, and the number of full-time equivalent jobs fall below levels specified in the Financing Agreement, the Redevelopment Agency would have the right to reduce its Property Tax increment contributions, or, if the Property Tax increment contribution term has ended, the City would have the right to accelerate the payment of participation.

Related City and Redevelopment Agency Costs

17. The City estimates its total costs of managing this proposed Project to be as follows:

- Total expenses of up to approximately $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents. These expenses would be reimbursed by the Developer.
- Total expenses of approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel. These expenses could be covered by the existing Yerba Buena Center Redevelopment Area budget, according to Mr. Carney.
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project. These expenses would be reimbursed by the Developer in the amount of $65,000 for each of the first three years in which the Developer receives Property Tax increment, then $50,000 for each of the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation).
- Total expenses of approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services in processing the sale of the subject portion of Jessie Street. These costs would be reimbursed by the $3,100,000 Jessie Street sale proceeds.

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[25] Under the Covenant to Operate contained in Section 6.1(a)(i) of the Financing Agreement, Bloomingdale's, Inc. is required to operate a Bloomingdale's department store for a minimum of ten years after the Project's opening date, and a Bloomingdale's or other department store for a minimum five additional years.

Summary: Emporium Development L.L.C. has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings as a 1,607,000 gross square foot multi-story complex comprising retail, entertainment, restaurant, cinema, office, and hotel complex. Construction is scheduled to take 28 months, and would involve restoring historically significant portions of the former Emporium Building and constructing underground links to the Powell Street MUNI and BART station. The Project is projected to increase the value of the site by $516,210,742, from its current assessed valuation (for Property Tax purposes) of $69,957,924 to $586,168,666. This projected increase in the assessed valuation would result from improvements funded by a combination of private investment and Redevelopment Agency Property Tax increment contributions.

According to independent real estate economics consultants, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring the Emporium Building, site assembly, relocation of utilities, and construction of new streets. For a developer to achieve an annual 12 percent rate of return on the cost of this Project, the real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding.

In response to this identified "feasibility gap", the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of $27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures which alleviate blight and provide public benefits such as historic preservation costs, site assembly and preparation, transit and circulation improvements, and economic revitalization and job creation. The amount of $27,000,000 was determined through negotiations between the City, the Redevelopment Agency, and the Developer.

The Budget Analyst has received extensive economic analysis related to the Developer's need for the Redevelopment

Agency's proposed Property Tax increment contribution of up to $27,000,000 to ensure the viability of the proposed project. However, none of the six development scenarios for which economic analyses were prepared contain information on Bloomingdale's, Inc.'s future plans for this valuable, centrally located site if the proposed Project did not proceed with the assistance of the Redevelopment Agency's Property Tax increment contribution. Therefore, the Budget Analyst is unable to determine the extent to which the asserted need for the Redevelopment Agency's proposed contributions of $27,000,000 in Property Tax increment to the Developer is necessary for the development of the property.

Projections indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is projected to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

The key risks to the City of proceeding with the proposed Project would be:

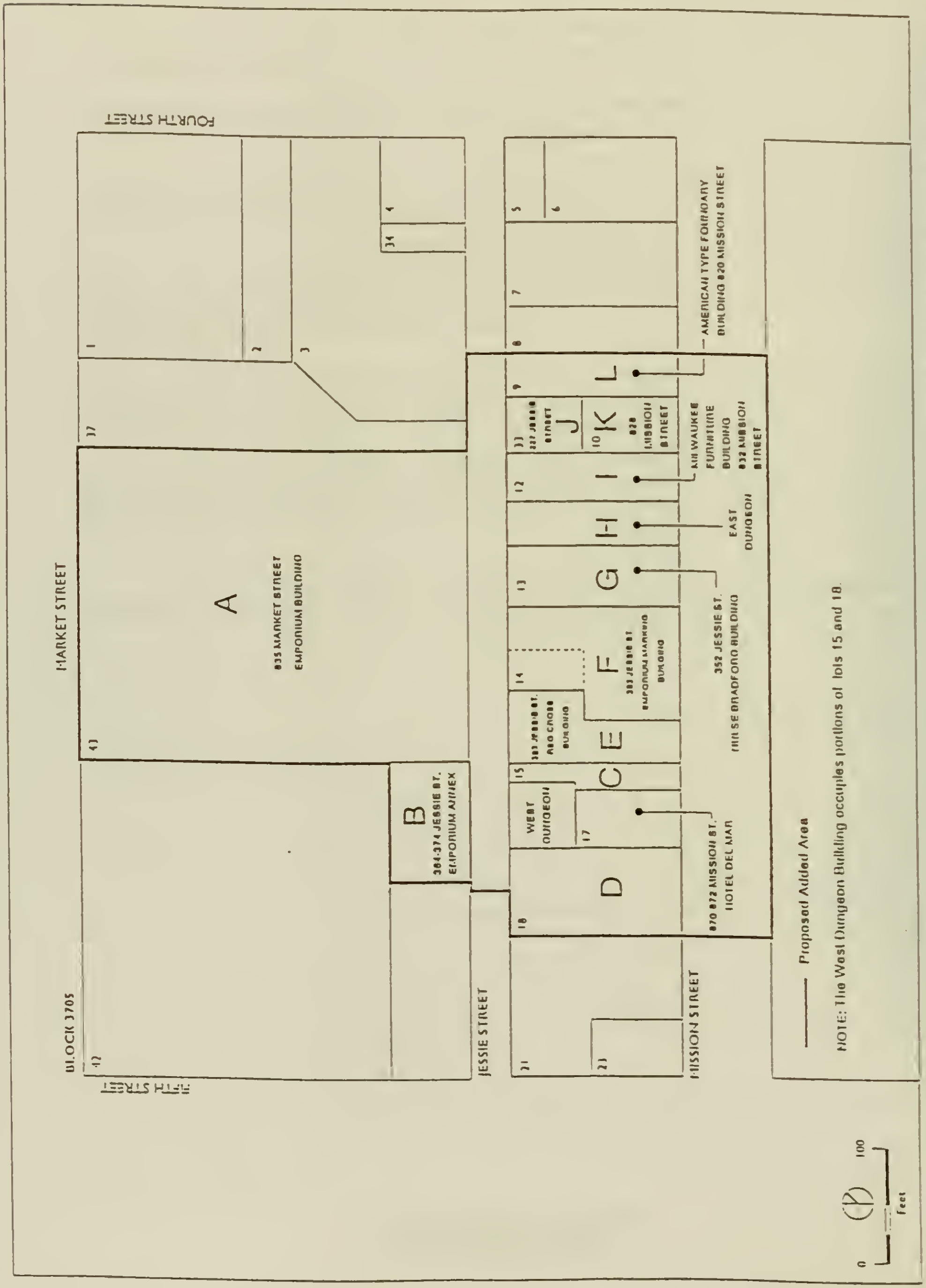
- The proposed construction is either not completed or not opened.
- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible.
- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated.
- The hotel is not built.
- There is some catastrophic event which diminishes or delays the City's participation in Project revenues.

The proposed Project contains a number of risk mitigation provisions, which are described in Comment No. 16 above.

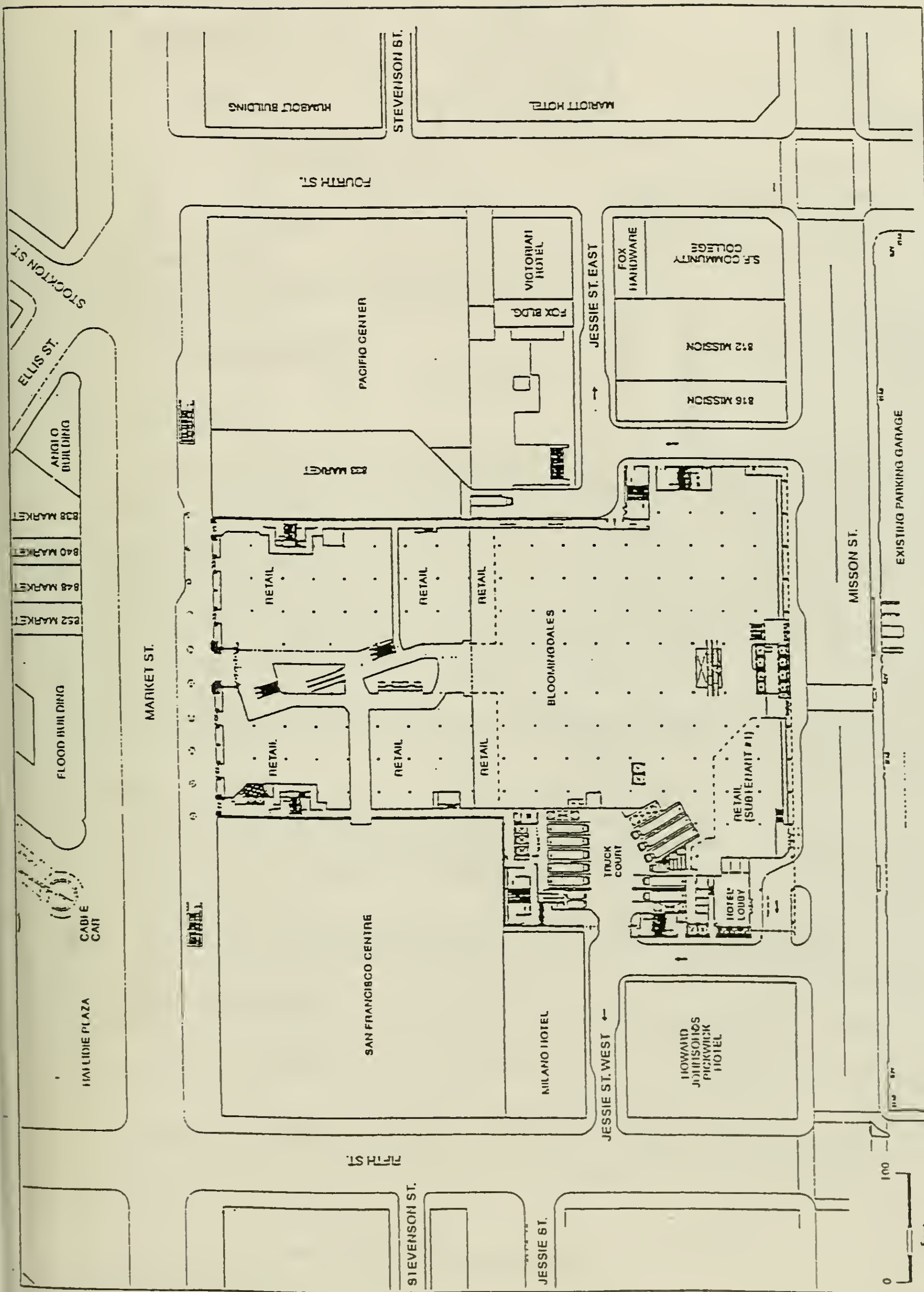
The City estimates its total costs of managing this proposed Project to be as follows:

- Up to $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents (to be reimbursed by the Developer).
- Approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel (to be covered by the existing Yerba Buena Center Redevelopment Area budget).
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project (to be reimbursed by the Developer).
- Approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services (to be reimbursed by the $3,100,000 Jessie Street sale proceeds).

Recommendation: Approval of the proposed resolutions is a policy matter for the Board of Supervisors.

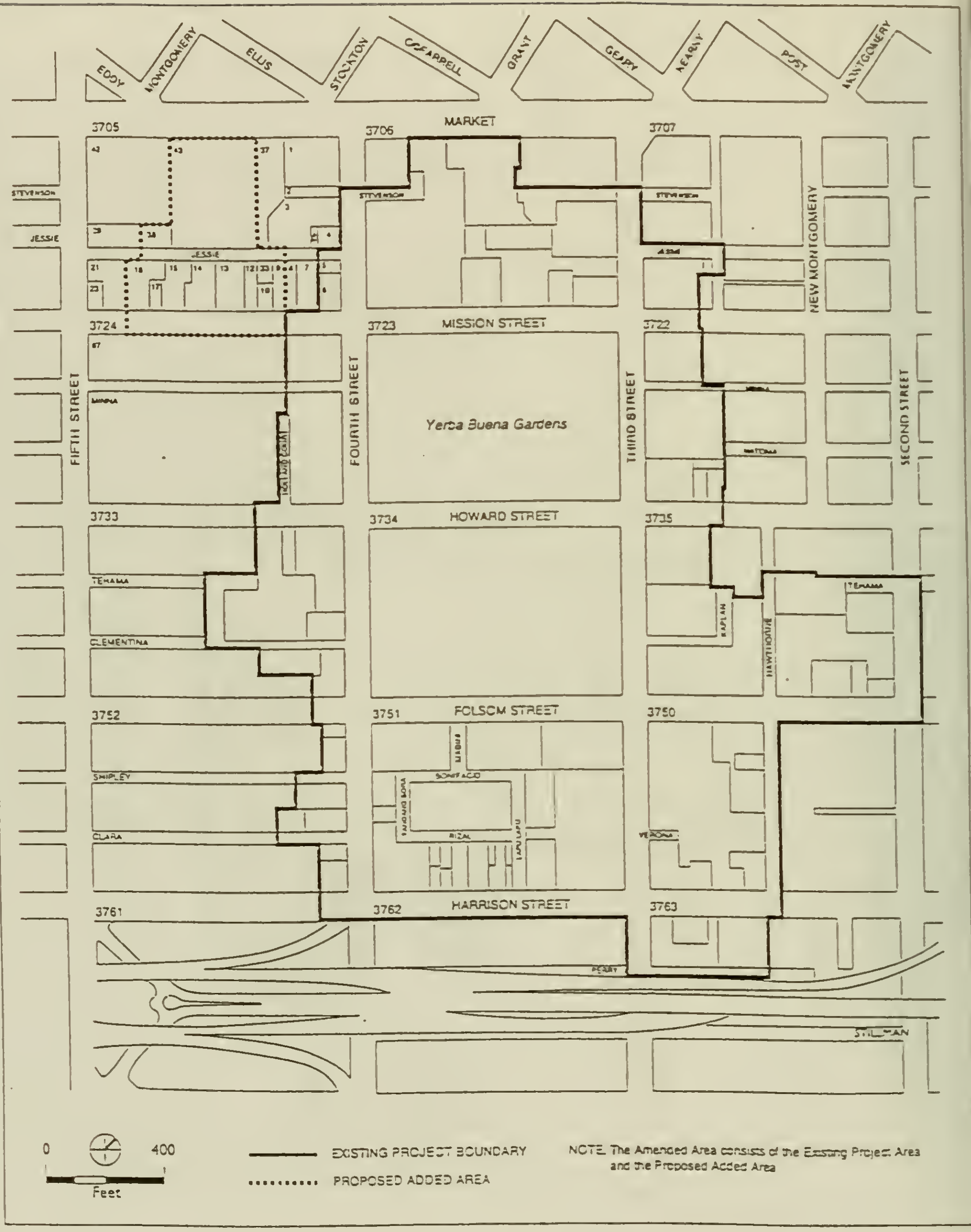


YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION
FIGURE II-5: BUILDING LOCATION MAP



YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE III-1: ILLUSTRATIVE PLAN OF PROPOSED PROJECT



YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE I-2: EXISTING REDEVELOPMENT PROJECT AND THE PROPOSED ADDED AREA

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

SF RA

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

The proposed Yerba Buena Plan Amendment modifies the existing Yerba Buena Redevelopment Plan by expanding the Project Area boundaries to include the adjacent Emporium Site Area; making a major department store and mixed-use retail, entertainment, office and hotel development on the Emporium Site Area an objective of the Redevelopment Plan; providing for tax-increment financing up to $27 million (in net present value at the date of opening) to be derived only from the Emporium Site Area if needed to make the proposed development feasible; and incorporating significant portions of the Planning Code as the Development Standards for the Emporium Site Area, with modifications necessary to accommodate the proposed redevelopment of the area.

To accomplish the proposed redevelopment, the Plan Amendment modifies the Planning Code requirements that would otherwise apply for the Emporium Site Area in the following ways:

Use
- Allows hotel and office as permitted uses (instead of conditional uses).
- Provides for "interval hotel suites" and for their conversion to residential use (subject to parking, open space and affordable housing requirements similar to those in the Code).

These uses could be granted under the current Code, and the Plan Amendment process provides a greater degree of public review than does the conditional use process.

Density, height and bulk
- Provides a base Floor Area Ratio (FAR) of 9:1 with no additional increase for Transferable Development Rights (TDRs) (current base is 6:1, increasing to 9:1 with TDRs).
- Increases height and bulk limits to 135-X, 200-X and 400-X (from 120-X, 160-X and 160-F).

The FAR change provides for the amount of development necessary to make the redevelopment of the site economically feasible, within the maximum development envelop allowable on the site under the current Code. The height changes allow for adjustments to

accommodate the relocation of the Emporium Building dome and to create a more slender and graceful hotel tower compatible with the adjacent towers of the Yerba Buena Center.

Historic preservation

- Provides for a specific program for retaining, restoring, rehabilitating, and adaptively reusing the historically significant features of the Emporium Building, in lieu of Article 11.

In finding the proposed Plan Amendment consistent with the General Plan, the Planning Department has determined that the Emporium Building has no substantial remaining value and therefore could be subject to demolition. However, the Plan Amendment specifically provides for retaining the historically significant features of the building, including the Market Street façade, the historic office portion of the building, and the dome and rotunda.

Other provisions

- Reduces off-street freight and bus loading requirements in accordance with the demand analyses in the Project EIR.
- Allows minor shadowing of Hallidie Plaza in light of the limited nature of shadowing established in the Project EIR.
- Allows minor exceedances of wind comfort standards in light of the limited nature of wind impacts as described in the Project EIR.
- Retains Article 6 regarding signs, but allows certain exceptions based on compelling design or architectural justification.

The first three items could be granted as exemptions under the current Code, and the Plan Amendment process provides the same level of analysis by the Planning Department and a greater degree of public review than does the exemption process. The sign item provides the Planning Department and the Agency with the discretion to provide higher signs and greater projections for awning signs based on compelling design or architectural justification.

Since the Plan Amendment provides that the Planning Code acts as the basic development controls in the Emporium Site Area, design review and approval of the project will be conducted by the Planning Department, in accordance with a Delegation Agreement with the Redevelopment Agency. The Delegation Agreement is intended to assure that the Planning Code, as modified, is applied to the Emporium Site Area in a manner consistent with other areas in the City.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney
Senior Project Manager
Yerba Buena Center

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

SF RA

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

In response to the request from your office, the following provides descriptions of the six redevelopment alternatives analyzed for the proposed Emporium Site Area. Economic analysis conducted by Sedway Group and confirmed by Keyser Marston Asociates determined that all the alternatives, except the preferred alternative, were infeasible without substantially greater financial assistance.

- Preferred Alternative – The Preferred Alternative includes new retail, entertainment, restaurant, cinema, office and hotel uses. The Project would retain, rehabilitate, and restore the Market Street façade (to a depth of 65 feet) and the existing dome and rotunda of the Emporium Building. The project would demolish and replace other existing buildings between Market and Mission streets, would relocate existing office uses within the new building, and would require the City to vacate a portion of Jessie Street. The Preferred Alternative includes 277,500 square feet of gross leasable area (GLA) of retail space, 97,000 square feet (GLA) of entertainment space, 225,000 square feet (GLA) of office space, a 355,500 square foot (GLA) Bloomingdale's department store, and a 375,000 square foot 210-room hotel and 60-unit interval vacation ownership component.

- EIR Alternative C – This alternative preserves the exterior and interior of the Emporium Building and the Annex Building including the Jessie Street facades. Jessie Street becomes a glass-enclosed "gallery" with bridges connecting the development on either side. Development on the south side is limited to a four-story base and seven-story tower. This alternative includes 255,500 square feet (GLA) of retail space, 164,700 square feet (GLA) of office space, and a 357,000 square foot (GLA) Bloomingdale's department store.

- EIR Alternative D - This alternative also preserves most of the Emporium Building, but would allow selective demolition of the Jessie Street façade, as well as demolition of the Annex Building. Some floors of the new addition would span Jessie Street. Development south of Jessie Street would also be limited to a four-story base and seven-story tower, although somewhat bulkier than under Alternative C. This alternative includes 186,800

square feet (GLA) of retail space, 80,000 square feet (GLA) of entertainment space, 113,300 square feet (GLA) of office space, a 401,500 square foot (GLA) Bloomingdale's department store, and a 196-room, 174,000 square foot hotel.

- EIR Alternative E – This alternative, also known as the Existing Planning Controls Alternative, preserves the Emporium and Annex buildings, but maximizes the development, to the extent permitted under existing planning controls, in the area south of Jessie Street. This alternative includes 272,300 square feet (GLA) of retail space, 39,100 square feet (GLA) of entertainment space, 257,200 square feet (GLA) of office space, and a 360,200 square foot (GLA) Bloomingdale's department store.

- Historic Preservation Alternative (Retail) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily retail, with some office space.

- Historic Preservation Alternative (Office) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily office, with some retail space on the first two floors.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney,
Senior Project Manager
Yerba Buena Center

EXHIBIT 1
SUMMARY OF HISTORIC RETENTION AND RESTORATION COSTS

(Based on Swinerton & Walberg 3/16/00 Cost Estimates)

Dome and Rotunda Restoration	$4,036
Market Street Façade	1,920
Historic Building Retention	8,021
Subtotal – Hard Costs per Swinerton Estimates	13,977
Construction Contingency @ 10%	1,398
Subtotal	15,375
Indirect Costs @ 19.5%[1]	3,002
Total Development Cost Before Financing	18,377
Financing Costs @ 19.2%[2]	2,956
Total Development Cost	$21,333

[1] Percentage rate estimated to include architectural, engineering, legal, insurance, taxes, public permits and fees, development management fees, and EIR. Actual architectural and engineering costs will likely be disproportionately high for historic work.

[2] Average rate per project pro forma ($^{33,270}/_{173,000}$). As many of the historic preservation costs will occur, early on, the actual carrying costs will probably be higher.

08030.001.C030.a

Federated
DEPARTMENT STORES, INC. 7 West Seventh Street • Cincinnati, Ohio 45202-2471

September 9, 1999

Mr. Bill Carney
San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102

Subject: 835 Market Street and Associated Properties

Dear Bill:

Federated Department Stores, through its subsidiary Bloomingdale's, Inc. successor to Broadway Stores, Inc., is the owner of the Emporium Building at 835 Market Street, Assessor's Block No. 3705, Lot No. 43, and other properties on this block formerly used in conjunction with the Emporium Department Store, specifically, Lots Nos. 13 through 18, 33 and 38.

Federated acquired Broadway Stores Inc. in 1995. Due to significant losses, the Emporium Department Store was closed shortly thereafter.

Obviously, the subject property is a significant asset which Federated would very much like to put to productive use. In the nearly 4 years since our acquisition of Broadway Stores, Federated has thoroughly analyzed the potential for rehabilitation of the Emporium Building and associated properties for use as a department store. Based on this analysis, we have concluded that the tremendous investment which would be required to rehabilitate the building as a department store cannot be economically justified. In short, the cost to bring to modern department store standards the historic, unreinforced masonry building, with its closely spaced columns and other challenges, is simply prohibitive.

For this reason, we sought the assistance of Forest City Development to help identify a developable project for the Emporium property and other property, and to carry out the development of a new department store and complementary uses.

Please do not hesitate to call, if I can be of any further assistance.

Very truly yours,

Gary J. Nay
Vice President - Real Estate

GXW2412

Macy's • Bloomingdale's • The Bon Marché
Burdines • Goldsmith's • Lazarus • Rich's • Stern's

Bloomingdale's by Mail, Ltd.
Macy's by Mail

TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco

35% City Participation

Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288.7 Million

Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)					$160,240,340							
Refinance Assumptions												
Indicated Loan Supported at 10% interest rate					$160,240,340							
Less Cost of Sale/refinance	2.0%				($3,204,807)							
Less Greater of Total Development Cost/Previous Loan Amount					($288,666,667)							
Net Proceeds for Distribution					($128,631,133)							
Net Operating Income Less Capital Expenditures			$20,608,910	$21,647,087	$22,949,380	$26,233,163	$26,136,663	$26,040,646	$29,498,970	$29,394,196	$29,288,756	$32,669,340
Tax Increment Rebate to FC (1)			$2,762,397	$2,972,697	$3,277,166	$3,342,196	$3,408,508	$3,496,130	$3,564,656	$3,635,656	$3,708,519	$3,776,866
Total Revenue and Tax Increment Rebate			$23,371,316	$24,620,664	$26,226,546	$26,575,346	$26,547,161	$29,536,976	$33,063,626	$33,029,764	$32,991,274	$36,446,206
Preferred Return to Forest City			$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
City Participation Summary (2)												
Sale/Refi			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Annual City Participation			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maximum City Participation Calculation												
Simple Interest Rate	12.0%											
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TI Disbursed Less Participation		$1,977,027	$2,762,397	$2,972,697	$3,277,166	$3,342,196	$3,408,608	$3,496,130	$3,564,666	$3,636,656	$3,708,619	$3,776,666
Cumulative TI Disbursed less Participation		$1,977,027	$4,739,424	$7,712,021	$10,989,187	$14,331,382	$17,739,990	$21,236,020	$24,799,676	$28,436,233	$32,140,752	$35,917,618
Interest on Prior Cumulative TI Disbursed		$0	$237,243	$568,731	$925,443	$1,318,702	$1,719,766	$2,128,787	$2,548,202	$2,976,961	$3,412,228	$3,856,890
Cumulative Interest		$0	$237,243	$806,974	$1,731,417	$3,050,119	$4,769,886	$6,896,672	$9,446,874	$12,422,836	$15,836,063	$19,691,954
Cumulative TI + Interest less Participation		$1,977,027	$4,976,667	$8,517,995	$12,720,604	$17,381,501	$22,509,776	$28,133,692	$34,246,549	$40,858,066	$47,976,816	$55,609,572
Note: Participation ceases when this line becomes zero.												
Summary of FC Returns												
Forest City Cash Flow [NOI (after participation) + TI]			23,371,316	24,620,564	26,226,546	26,575,340	26,547,161	29,535,975	33,063,625	33,029,754	32,991,274	36,446,206
Forest City Return on Development Cost (after Participation)			8.2%	8.7%	9.1%	10.0%	10.0%	10.3%	11.6%	11.6%	11.5%	12.7%
Shortfall Calculation (with Simple Interest)												
Balance Available for Distribution/(Shortfall)			($11,028,684)	($10,679,416)	($16,173,484)	($5,624,652)	($5,652,839)	($4,864,026)	($1,336,376)	($1,370,246)	($1,408,726)	$2,046,206
Prior Year Cumulative Shortfall			$0	($11,028,684)	($21,931,642)	($32,677,966)	($41,656,407)	($51,661,991)	($61,661,102)	($68,358,246)	($76,326,626)	($82,407,913)
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)			$0	($1,323,442)	($2,472,972)	($3,463,767)	($4,162,745)	($4,656,086)	($6,436,766)	($6,609,133)	($5,763,663)	($5,932,610)
Balance to be Distributed/(Shortfall)			($11,028,684)	($21,031,642)	($32,677,066)	($41,656,407)	($51,661,991)	($61,661,102)	($68,356,246)	($76,326,626)	($82,407,913)	($86,361,316)
Summary of TI Rebate to FC (3)												
Tax Increment Rebate to Forest City		$1,977,027	$2,762,397	$2,972,697	$3,277,166	$3,342,196	$3,408,608	$3,496,430	$3,564,666	$3,636,666	$3,708,619	$3,779,666
Present Value Factor (to start of operations)		NA	93.0%	86.6%	80.6%	74.9%	69.7%	64.8%	60.3%	56.1%	52.2%	48.6%
PV of Annual TI Rebate at 7.5%		$1,977,027	$2,569,672	$2,572,266	$2,637,969	$2,502,637	$2,374,226	$2,264,710	$2,146,613	$2,036,466	$1,932,737	$1,832,612
PV of Cumulative TI Rebate at 7.5% (to start of op.)		$1,977,027	$4,546,699	$7,118,964	$9,756,933	$12,259,611	$14,633,836	$16,898,546	$19,047,159	$21,083,625	$23,016,362	$24,850,976

Notes:
1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $373.1 million, total development cost of $551.2 mm and total incremental value of $518.2mm (2000$).
2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7.5%/year.

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ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $788.7 Million

[illegible]											
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$252,851,827							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$252,851,827							
Less Cost of Sale/refinance	2.0%			($5,053,033)							
Less Greater of Total Development Cost/Previous Loan Amount				($286,666,667)							
Net Proceeds for Distribution				($39,068,073)							
Net Operating Income Less Capital Expenditures		$32,553,175	$32,432,948	$38,164,385	$38,085,892	$35,922,290	$40,081,879	$39,938,763	$39,790,990	$44,402,488	$44,244,148
Tax Increment Rebate to FC (1)		$3,849,625	$980,398	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increment Rebate		$36,402,800	$33,413,340	$38,164,385	$38,055,892	$35,922,290	$40,081,879	$39,938,763	$39,790,990	$44,402,488	$44,244,148
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$0	$0	$0	$0	$0	$0	$0	$0	$10,002,488	$9,844,148
City Participation Summary (2)											
Sale/Refi		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Total Annual City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Maximum City Participation Calculation											
Simple Interest Rate	12.0%										
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,600,863	$3,445,451
TI Disbursed Less Participation		$3,849,825	$980,398	$0	$0	$0	$0	$0	$0	($3,800,863)	($3,446,481)
Cumulative TI Disbursed less Participation		$39,767,243	$40,747,039	$40,747,038	$40,747,038	$40,747,038	$40,747,038	$40,747,039	$40,747,039	$37,248,776	$33,801,324
Interest on Prior Cumulative TI Disbursed		$4,310,114	$4,772,069	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,489,813
Cumulative Interest		$24,002,068	$28,774,137	$33,663,854	$38,553,870	$43,443,287	$48,333,004	$53,222,720	$58,112,437	$63,002,183	$67,471,787
Cumulative TI + Interest less Participation		$63,769,311	$69,521,776	$74,411,492	$79,301,209	$84,190,926	$89,080,642	$93,970,359	$98,860,076	$100,248,929	$101,273,091
Note: Participation ceases when this line becomes zero.											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation)+ TI]		36,402,800	33,413,340	38,164,385	38,055,502	35,922,290	40,081,879	39,938,763	39,790,990	40,801,605	40,798,898
Forest City Return on Development Cost (after Participation)		12.7%	11.7%	12.8%	12.8%	12.5%	14.0%	13.9%	13.9%	14.3%	14.2%
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)		$2,002,800	($986,660)	$1,764,385	$1,655,892	$1,522,290	$5,681,879	$5,538,763	$5,390,990		
Prior Year Cumulative Shortfall		($86,384,318)	($90,068,883)	($90,801,672)	($100,282,718)	($103,678,128)	($107,808,187)	($106,698,244)	($108,846,328)		
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)		($5,887,085)	($5,448,720)	($5,685,129)	($5,351,002)	($5,182,331)	($4,989,857)	($4,287,887)	($3,823,213)		
Balance to be Distributed/(Shortfall)		($90,068,883)	($96,501,672)	($100,282,718)	($103,678,126)	($107,808,187)	($106,698,244)	($106,845,328)	($103,677,661)		
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City		$3,848,878	$980,380	$0							
Present Value Factor (to start of operations)		45.1%	42.0%	39.1%							
PV of Annual TI Rebate at 7.5%		$1,737,802	$411,823	$0							
PV of Cumulative TI Rebate at 7.5% (to start of op.)		$26,588,377	$27,000,000	$27,000,000							

Notes:
(1) Based on 80% net tax increment to Forest City, per Seifel 8/08/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $381.7 mm and total incremental value of $510.7mm (7/00)
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
(3) Construction period TI Rebate per Seifel 6/30/2000 analysis. Inflated to start of operations at 7.5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288.7 Million

Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$342,257,347							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$342,257,347							
Less Cost of Sale/refinance	2.0%			($6,845,147)							
Less Greater of Total Development Cost/Previous Loan Amount				($286,666,667)							
Net Proceeds for Distribution				$46,745,534							
Net Operating Income Less Capital Expenditures		$44,080,286	$49,193,116	$49,017,662	$46,635,905	$54,604,690	$54,309,974	$54,106,646	$60,393,516	$60,177,743	$59,954,416
Tax Increment Rebate to FC (1)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increment Rebate		$44,080,286	$49,193,115	$49,017,562	$48,635,905	$54,604,690	$54,309,974	$54,108,646	$60,393,516	$60,177,743	$59,954,416
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$9,680,286	$14,793,115	$14,617,682	$14,436,905	$20,104,690	$19,909,974	$19,706,646	$25,993,516	$25,777,743	$25,554,416
City Participation Summary (2)											
Sale/Refi		$0	$0	$17,060,937	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$3,366,100	$5,177,590	$5,116,153	$5,052,567	$7,036,606	$6,966,490	$6,897,991	$9,097,731	$9,022,210	$8,944,045
Total Annual City Participation		$3,366,100	$5,177,590	$22,177,090	$5,052,567	$7,036,606	$6,966,490	$6,897,991	$9,097,731	$9,022,210	$8,944,045
Maximum City Participation Calculation											
Simple Interest Rate	12.0%										
City Participation		$3,366,100	$5,177,590	$22,177,090	$5,052,567	$7,036,606	$6,966,490	$6,897,991	$9,097,731	$9,022,210	$8,944,046
TI Disbursed Less Participation		($3,366,100)	($5,177,590)	($22,177,090)	($5,052,567)	($7,036,606)	($6,966,490)	($6,897,991)	($9,097,731)	($9,022,210)	($8,944,046)
Cumulative TI Disbursed less Participation		$30,413,224	$28,236,836	$3,066,648	($1,994,022)	($9,030,626)	($15,999,119)	($22,697,109)	($31,994,640)	($41,017,050)	($49,961,096)
Interest on Prior Cumulative TI Disbursed		$4,056,159	$3,649,667	$3,026,276	$367,025	$0	$0	$0	$0	$0	$0
Cumulative Interest		$71,627,925	$75,177,812	$78,205,766	$78,672,814	$78,672,814	$78,672,814	$78,672,814	$78,672,814	$78,672,814	$78,672,814
Cumulative TI + Interest less Participation		$101,941,150	$100,413,147	$81,264,333	$76,576,792	$69,542,186	$62,573,695	$55,675,705	$46,577,974	$37,555,764	$28,611,719
Note: Participation ceases when this line becomes zero.											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation) + TI]		40,692,186	44,015,525	75,566,025	43,763,339	47,467,984	47,341,483	47,210,655	51,295,767	51,155,533	51,010,371
Forest City Return on Development Cost (after Participation)		14.2%	15.4%	26.4%	15.3%	16.6%	16.5%	16.5%	17.9..	17.8%	17.6%
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)											
Prior Year Cumulative Shortfall											
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)											
Balance to be Distributed/(Shortfall)											
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City											
Present Value Factor (to start of operations)											
PV of Annual TI Rebate at 7.8%											
PV of Cumulative TI Rebate at 7.8% (to start of op.)											

Notes:
(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $584.2 mm and total incremental value of $518.2mm (2000$).
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
(3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7.5%/year.

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ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi

Emporium Site San Francisco

35% City Participation

Scenario: Preferred Alternative

Assuming Net Capped Development Cost of $288.7 Million

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Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$487,160,987
Refinance Assumptions				
Indicated Loan Supported at 10% Interest rate				$487,160,987
Less Cost of Sale/refinance	2.0%			($9,343,220
Less Greater of Total Development Cost/Previous Loan Amount				($332,257,347
Net Proceeds for Distribution				$115,560,420
Net Operating Income Less Capital Expenditures		$66,906,093	$66,906,093	$66,906,093
Tax Increment Rebate to FC (1)		$0	$0	$0
Total Revenue and Tax Increment Rebate		$66,906,093	$66,906,093	$66,906,093
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$32,506,093	$32,506,093	$32,506,093
City Participation Summary (2)				
Sale/Refi		$0	$0	$5,857,454
Participation in NOI (after FC Preferred Return)		$11,377,132	$11,377,132	$0
Total Annual City Participation		$11,377,132	$11,377,132	$5,857,454
Maximum City Participation Calculation				
Simple Interest Rate	12.0%			
City Participation		$11,377,132	$11,377,132	$5,857,454
TI Disbursed Less Participation		($11,377,132)	($11,377,132)	($5,857,454
Cumulative TI Disbursed less Participation		($81,338,227)	($72,718,360)	($78,872,814
Interest on Prior Cumulative TI Disbursed		$0	$0	$0
Cumulative Interest		$78,372,814	$78,872,814	$78,872,814
Cumulative TI + Interest less Participation		$17,234,587	$5,857,454	$0
Note: Participation ceases when this line becomes zero.				
Summary of FC Returns				
Forest City Cash Flow (NOI (after participation)+ TI)		65,626,061	65,626,961	178,609,059
Forest City Return on Development Cost (after Participation)		19.4%	18.4%	61.6%
Shortfall Calculation (with Simple Interest)				
Balance Available for Distribution/(Shortfall)				
Prior Year Cumulative Shortfall				
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)				
Balance to be Distributed/(Shortfall)				
Summary of TI Rebate to FC (3)				
Tax Increment Rebate to Forest City				
Present Value Factor (to start of operations)				
PV of Annual TI Rebate at 7.6%				
PV of Cumulative TI Rebate at 7.6% (to start of op.)				

Notes:

(1) Based on 80% net tax increment to Forest City, per Seifel 8/06/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $584.7 mm and total incremental value of $518.2mm (2000$)

(2) City Participation Assumptions

City Participation in Sale/Refi (of net proceeds)	35.0%
Participation in NOI	
Return on cost over 12% (NOI after FC Pref Return)	35.0%

(3) Construction period TI Rebate per Seifel 8/06/2000 analysis, inflated to start of operations at 1.5%/year

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Item 8 - File 00-1581

Department: Public Utilities Commission (PUC)

Item: Resolution authorizing a 20-year lease of Public Utilities Commission land between the City and County of San Francisco and Mid Peninsula High School, in San Mateo County.

Location: A portion of Parcel 2007(1), Bay Division Pipelines 1 and 2, in the City of Menlo Park, San Mateo County.

Purpose of Lease: The subject property would be utilized by the Mid Peninsula High School, the Lessee, as (a) a paved parking lot, with landscaping, and (b) a grass sports playing field for a new school to be constructed and located in a converted warehouse on the adjacent property (as shown in the attached map provided by the PUC).

Lessor: City and County of San Francisco, through the PUC.

Lessee: Mid Peninsula High School, a small, non-profit, private alternative high school.

No. of Sq. Ft. and Cost Per Month: Approximately 58,400 square feet, of which 24,080 square feet (approximately 41.2 percent of the total square footage) would be charged at $2,113 per month which is approximately $0.088 per square foot per month or approximately $1.056 per square foot annually. Comment No. 1 explains why only 41.2 percent of the subject property is chargeable.

Annual Rent: $25,356. The annual rent is subject to upward adjustment only, by the amount of any annual increase in the Consumer Price Index at every 12 month anniversary of the Rent Commencement Date. In addition to annual rent adjustments, the base rent could be upwardly adjusted to equal the fair market rent for space of comparable size and location on the fifth, tenth, and fifteenth anniversaries of the Rent Commencement Date.

Percentage Increase Over 1999-2000: According to Ms. Cindy Lee of the PUC, despite repeated attempts, the subject property has not been previously leased.

Term of Lease: The proposed lease would commence upon approval by the Board of Supervisors and would expire 20 years thereafter (approximately October 2020).

Right of Renewal: None.

Description: The subject resolution would authorize a 20 year lease of approximately 58,400 square feet of City-owned land located in the City of Menlo Park, San Mateo County, which is under the jurisdiction of the PUC. The Bay Division Pipelines 1 and 2, which run under this land, transport and distribute water for the San Francisco Water Department. Under the proposed lease, the PUC would retain all rights to operate, maintain, repair, and/or reconstruct those pipelines.

The proposed lease would allow the Mid Peninsula High School to construct (a) a paved parking lot, with landscaping, and (b) a grass sports playing field adjacent to its new high school facility which is contiguous to the PUC property.

Comments: 1. According to Ms. Lee, when the PUC originally purchased its pipeline property from local farm landowners, the sellers reserved the right to cross over and farm on their former properties. Therefore, the resulting grant deeds contain provisions which reserve cross-over and agricultural rights for the owners of the adjacent properties. As the current owner of an adjacent property, the Mid Peninsula High School retains those cross-over and agricultural rights. In light of such grant deeds, the PUC has a policy to not charge the owners of adjacent properties for any uses of a cross-over purpose (such as a driveway) or an agricultural purpose (which the City Attorney's Office has deemed to include landscaping and grass sports playing fields). Mr. Charles Sullivan of the City Attorney's Office confirmed that the PUC's policy is consistent with the language of the existing grant deeds. Of the subject parcel's approximately 58,400 square feet, approximately 34,320

square feet (approximately 58.8 percent) would be utilized for landscaping, a grass sports playing field, and driveway purposes. In keeping with the PUC's policy, such uses would not be chargeable. The remaining 24,080 square feet (approximately 41.2 percent) would be utilized for a paved parking lot and would, therefore, be chargeable as that use is not related to either agricultural or cross-over rights.

2. According to Ms. Lee, the Mid Peninsula High School submitted a proposal to the PUC for how it wished to use the subject property. The school was responsible for obtaining all the necessary planning and construction permits. The school's proposal was then reviewed by PUC land engineers who inspected and approved the school's plans in terms of the approved uses for the subject property, given the need to protect the pipeline running through it. After that review process, the PUC determined what percentage of the subject property, as developed by the school, would be chargeable. According to Ms. Lee, the PUC then accepted the school's proposal on the basis that the City benefited from receiving some rent from the subject property which currently does not generate any rental income. Ms. Lee states that the PUC will monitor the Mid Peninsula High School's development of the subject property to ensure that the development conforms with the plans approved by the PUC.

3. Not charging for 34,320 square feet (the total 58,400 square foot subject property less the 24,080 square feet which are chargeable) results in a rental reduction of approximately \$36,242 annually at the rental rate of approximately \$1.056 per square foot annually. However, as previously noted, the PUC has a policy not to charge for property which is used for cross-over or agricultural purposes. The PUC's policy, according to Mr. Sullivan, is consistent with the language of the grant deeds that apply to such properties.

4. Ms. Lee states that an evaluation of current market rental rates in the subject area was performed by the PUC's Bureau of Commercial Land Management and the proposed lease rate was determined to be the fair market value. According to Ms. Lee, the fair market rental rate

evaluation was based on (a) comparable properties in the Menlo Park area, (b) comparable PUC leases in the South Bay, and (c) rental rate information derived from a real estate comparison performed by Metroscan. Ms. Lee states that Metroscan provides real estate comparison services used by realtors and real estate appraisers which provide a monthly update of property sales and rental rates by geographical area.

5. According to Ms. Lee, the subject property has no use to any other adjoining property owner and it is not suitable for other uses or independent development. As the subject property is only 80 feet wide and cannot have structures built on it, it is suitable only for vehicle parking lots, gardens, and recreational spaces for adjacent businesses.

Recommendation: Approve the proposed ordinance.

Item 9 – File 00-1590

Department: Airport Commission

Item: Resolution approving a lease agreement for placement and operation of an Approach Lighting System with Sequence Flasher II (ALSF-2) between the Federal Aviation Administration (FAA) and the City and County of San Francisco, acting by and through its Airport Commission.

Purpose of Lease: The proposed lease would provide the Federal Aviation Administration (FAA) with approximately 167,950 square feet of space for the upgrading and continued operation and maintenance of the existing Approach Lighting System with Sequence Flasher II (ALSF-2) located at the end of Runway 28R. The purpose of this system is to assist in ensuring the safety of aircraft movements at San Francisco International Airport.

Lessor: City and County of San Francisco

Lessee: Federal Aviation Administration

Amount Payable to Airport: No charge to the FAA. In return, the FAA would install improvements in, and continue to operate and maintain the existing ALSF-2 at the end of Runway 28R at no cost to the Airport.

Term of Lease: Approximately 6 months, commencing April 7, 2000 and ending September 30, 2000, after which time the lease would be renewable each year at the option of the FAA. Under the terms of the lease, renewals would not extend beyond September 30, 2015.

Description: The proposed resolution would approve a new lease between the Airport and the FAA in order for the FAA to install minor improvements in, and continue to operate and maintain the Airport's Approach Lighting System with Sequence Flasher II located at the end of Runway 28R. According to Ms. Diane Artz of the Airport, the ALSF-2, which consists primarily of a series of lights that extend beyond the end of Runway 28R into the San Francisco Bay, is used to allow aircraft pilots to transition

from instrument navigation to visual navigation during landings.

Ms. Artz states that the improvements to the ALSF-2 would consist of the replacement of older lights with newer, more efficient lights, and the reinforcement of trusses located in the San Francisco Bay that support the individual approach lights.

Comments:

1. The Airport Commission approved a resolution on August 1, 2000 stating that the ALSF-2 is essential to the safety of aircraft movements at San Francisco International Airport.

2. According to Ms. Artz, the proposed lease would replace a prior lease agreement with the FAA for operation and maintenance of the ALSF-2, which was originally entered into in 1985, and renewed each year until in ended in April of 2000.

3. Ms. Artz states that the vast majority of the subject property is located off of the end of Runway 28R in the San Francisco Bay, and has no practical use for anything other than aircraft safety provision. A small portion of the subject property, approximately 11,250 square feet, is located next to the end of Runway 28R, adjacent to the San Francisco Bay. According to Ms. Artz, this portion of the subject property also has no practical use for anything other that provision of aircraft safety.

4. The resolution states that the proposed lease is for the placement of an ALSF-2 system. According to Ms. Artz, however, the subject ALSF-2 system has been in place since 1980, and would only receive minor improvements under the terms of the proposed lease. The proposed resolution should, therefore, be amended to reflect the fact that the ALSF-2 is an already-existing system, and that it is only receiving minor improvements under the terms of the new lease.

5. As the term of the proposed lease began on April 7, 2000, the proposed resolution should be amended to provide for retroactive authorization.

Recommendations:

1. Amend the proposed resolution to state that the lease is for installation of improvements to the ALSF-2 system and not for "placement" of an ALSF-2 system as noted in Comment No. 4.

2. Amend the proposed resolution to provide for retroactivity in accordance with Comment No. 5, and approve the proposed resolution as amended.

Item 10 – File 00-1602

Department:	Airport Commission
Item:	Resolution approving a lease agreement for the installation and operation of a Simultaneous Offset Instrument Approach (SOIA) Localizer, a navigational aid instrument, between the Federal Aviation Administration and the City and County of San Francisco, acting by and through its Airport Commission.
Purpose of Lease:	The proposed lease would provide the Federal Aviation Administration (FAA) with approximately 10,000 square feet for the installation and continued operation and maintenance of a SOIA Localizer for use on Runway 28R. The purpose of this system is to assist in ensuring the safety of aircraft movements at San Francisco International Airport.
Lessor:	City and County of San Francisco
Lessee:	Federal Aviation Administration
Amount Payable to Airport:	No charge to the FAA. In return, the FAA would install, operate, and maintain a SOIA Localizer for use on Runway 28R at no cost to the Airport.
Term of Lease:	Approximately 6 months, commencing April 7, 2000 and ending September 30, 2000, after which time the lease would be renewable each year at the option of the FAA. Under the terms of the lease, renewals would not extend beyond September 30, 2015.
Description:	The proposed resolution would approve a new lease between the Airport and the FAA in order for the FAA to install, maintain, and operate a Simultaneous Offset Instrument Approach (SOIA) Localizer navigational system for use on Runway 28R. According to Ms. Diane Artz of the Airport, the Airport is currently unable to make simultaneous use of both of its approach runways used for aircraft landings during severe weather conditions. Consequently, severe weather conditions reduce the rate of aircraft arrival at the Airport from 60 aircraft per hour to 30 aircraft per hour. The proposed

lease would allow installation and operation of a SOIA Localizer navigational system, which would increase the rate at which aircraft could safely land at the Airport from 30 aircraft per hour to 45 aircraft per hour during severe weather conditions.

Comments:

1. The Airport Commission approved a resolution on August 1, 2000 stating that the SOIA Localizer for use on Runway 28R is essential to the safety of aircraft movements at San Francisco International Airport.

2. According to Ms. Artz, the subject property is located near, and cuts across, Runway 28R at the Airport, and cannot be practically used for any purpose other than aircraft safety provisions.

3. As the term of the proposed lease began on April 7, 2000, the proposed resolution should be amended to provide for retroactive authorization.

Recommendation:

Amend the proposed resolution to provide for retroactivity in accordance with Comment No. 3, and approve the resolution as amended.

Item 11 - File 00-1603

Department: Airport

Item: Ordinance authorizing the Airport Commission to approve the continuation of a contract with the Shuttleport/DAJA SFO Joint Venture to operate the Airport Curbside Management Program for up to four additional one year options commencing November 15, 2000.

Contract Term: The first year extension option would extend the subject contract from November 15, 2000 to November 14, 2001 (12 months). If the three additional one year extension options are approved by the Airport Commission in the future, the subject contract would be extended to November 14, 2004. The original contract did not require Board of Supervisors approval. However, approval of this one year extension option increases the total contract cost over subject contract's first two years to more than $10,000,000, which requires Board of Supervisors approval under the Charter. Approval of future one year extension options would not be subject to further Board of Supervisors approval under the subject ordinance.

Amount: Projected to be $6,872,885, and not to exceed $6,875,000, for the November 15, 2000 to November 14, 2001 period. $6,872,885 is an approximately 16.7 percent increase over the $5,889,100 contract amount for the previous 12 month November 15, 1999 to November 14, 2000 contractual period.

The budget for the November 15, 2000 to November 14, 2001 period, compared to the previous twelve month contractual period, is shown on the following page.

Project Cost Summary	Year One Budget	Year Two Budget	Increase / (Decrease)	Percent Increase
Project Team Staff Labor	$343,080	$371,830	$28,750	8.4 %
Project Team Staff Labor Benefits	76,334	81,610	5,276	6.9 %
Operations Staff Labor	2,548,142	3,079,127	530,985	20.8 %
Operations Staff Benefits	711,074	1,037,966	326,892	46.0 %
SuperShuttle Subcontract(1)	465,000	478,950	13,950	3.0 %
Lorrie's Travel and Tours Subcontract	385,000	396,550	11,550	3.0 %
Annual Support Services (2)	450,030	525,209	75,179	16.7 %
Equipment Purchase	58,100	7,578	(50,522)	(87.0 %)
Scheduled Annual Operating Costs	358,659	317,914	(40,745)	(11.4 %)
Total Operating Cost	5,395,419	6,296,734	901,315	16.7 %
Profit(3)	493,681	576,151	82,470	16.7 %
TOTAL CONTRACT COST	$5,889,100	$6,872,885	$983,785	16.7 %

Notes:

(1) Subcontracts: DAJA, Inc., a registered MBE/WBE firm which is the 40 percent joint venture partner, has subcontracted with Lorrie's Travel and Tours and SuperShuttle to operate the door-to-door van curb coordination.

(2) Annual Support Services: These comprise fees and costs for Controller services, external auditors, legal advisors, occupational safety and health services, human resources services, environmental services, financing costs, information services, operational support services, risk management, labor relations, and logistics and engineering support services. In Years One and Two, these were calculated at approximately 8.3 percent of the total operating cost excluding profit.

(3) Profit: Under the terms of the subject contract, this is calculated at approximately 9.1 percent of the total operating cost in Years One and Two.

Source of Funds: Airport revenues generated by ground transportation operators which pay fees to operate on Airport premises. Attachment I, provided by Mr. Dan Wong of the Airport, identifies the sources of the fees which will be paid to the Airport by ground transportation operators between November 15, 2000, and November 14, 2001 and used to fund the Airport Curbside Management Program. According to Mr. Wong, although the Year Two contract budget is projected to be $6,872,885, only $5,888,000 in ground transportation operator fee revenue (which is equivalent to the approximate budgeted funding for Year One of the contract) would need to be allocated to the subject Year Two contract. According to Mr. Wong, this is

because the phased implementation of the Airport Curbside Management Program during Year One (see "Description" below) is projected to result in approximately $1,300,000 of under-expenditure against the Year One budget which had been determined on the basis of Joint Venture provision of full program services from Day One of the contract. The unexpended funds can be carried forward to fund the balance of the projected Year Two budget of $6,872,885.

Description: On September 21, 1999, the Airport Commission awarded a $5,889,100 contract for the first time to operate the Airport Curbside Management Program at all Airport terminals, including the new International Terminal. The Airport Commission awarded the contract to the ShuttlePort/DAJA SFO Joint Venture (the Joint Venture) for one year effective November 15, 1999, extendable for up to four additional one-year extension options. As previously noted, since the contract was for less than $10,000,000, the original contract was not subject to Board of Supervisors approval.

The Airport Curbside Management Program is designed to improve the quality of the Airport's ground transportation services. The program consolidates:

- The Airport's taxi dispatching functions previously operated by AMPCO System Parking. The Joint Venture took over the Airport's taxi dispatching functions on March 1, 2000.
- The Airport's door-to-door van curb coordination functions operated by three separate operating groups, Lorrie's Travel and Tours, SuperShuttle, and Transportation Coordinators of America. The Joint Venture took over the door-to-door van curb coordination functions on April 15, 2000.
- Customer services for the Airport's limousine and scheduled transit operators. This is a new function required by the subject contract. The Joint Venture commenced limousine and scheduled transit customer service operations on May 27, 2000. For limousine operators, Joint Venture staff monitor the loading zones, answer customer questions, and check weigh bills. For scheduled transit operators, Joint Venture

staff monitor schedule adherence and transit activities at the curb, answer customer questions, and measure ridership.

To perform these functions, the Joint Venture employs approximately 110 staff. Under the subject contract extension, all employees would be provided with medical benefits and remunerated at or above the levels required by the City's Minimum Compensation Ordinance (see Comment No. 2).

As previously noted, the Airport approved a contract for its Airport Curbside Management Program on September 21, 1999. Attachment II, provided by Mr. Wong, explains what Airport ground transportation deficiencies the subject contract is intended to address since such a contract had never previously been implemented at the Airport. According to Mr. Wong, based on the performance of services for which the Joint Venture has progressively assumed responsibility over the last seven months, the Airport Commission concluded that the Airport Curbside Management Program has improved Airport ground transportation providers' service and better managed the Airport's limited curbside loading zones in the following ways:

- Increased monitoring of all ground transportation functions has provided Airport staff and ground transportation operators with additional information to ensure that ground transportation services conform to the terms of each operator's Airport Operating Permit.
- Increased monitoring has reduced the potential for illegal solicitation activities at the various loading zones.
- Increased staffing of individual loading zones has increased throughput of ground transportation vehicles by better managing traffic volumes.
- Increased customer service means that the traveling public can receive answers to ground transportation and other Airport questions from staff who are independent of the ground transportation operators, and late night arriving passengers can access transportation information more easily.

On August 29, 2000, the Airport Commission exercised the first one year extension option to allow the Joint Venture to continue operating the Airport Curbside Management Program for a second year effective November 15, 2000. Approval of this one year extension increases the total contract cost over its first two years to $12,761,985. Since that amount is more than $10,000,000, Board of Supervisors approval is required under the Charter.

Comments:

1. The initial contract was awarded to the Joint Venture after a Request for Proposals (RFP) process which is described in the attached memorandum from Mr. Wong (Attachment III). According to Mr. Wong, the RFP provides for the longer term expansion of the Airport Curbside Management Program to include potential creation and staffing of passenger waiting lounges and Airport terminal ground transportation ticketing operations.

2. According to Mr. Wong, the $983,785, or approximately 16.7 percent, increase in the contract cost between Year One and Year Two reflects the following changes:

- Staffing enhancements and pay raises, including pay raises to comply with the Minimum Compensation Ordinance, increased by $559,735. According to Mr. Wong, of this $559,735 increase, $42,640 is required to comply with the Minimum Compensation Ordinance while other pay raises are due to collective bargaining agreements.
- Employee benefits increased by $332,168.
- Equipment leases and purchases, and project costs reduced by $91,267.
- Service subcontracts increased by $25,500.
- Annual support services increased by $75,179.
- Under the terms of the contract, profit increased by $82,470.

A break-down of the above figures is contained in Attachment IV.

However, the Budget Analyst notes that the Program's projected Year One under-expenditure of $1,300,000 would reduce the Year One budget of $5,889,100 to $4,589,100. The Year Two budget of $6,872,885 would therefore represent an approximately 49.8 percent increase over Year One projected expenditures. This is significantly greater than the 16.7 percent increase explained above. According to Mr. Wong, the balance of the increase (a projected $1,300,000) is the result of the expenditure difference between the phased implementation of services in Year One and the provision of the full range of services for the entire Year Two period.

3. The Airport is seeking approval to extend the subject contract by up to four years without the benefit of performance measures which assess the impact of the Joint Venture on ground transportation services at the Airport over the last seven months since the Joint Venture began progressively assuming responsibility for managing ground transportation services on March 1, 2000. According to Mr. Wong, the Airport is the first United States airport to design and operate a curbside management program on this scale and, therefore, the Airport has no performance criteria available from any other airport to use in evaluating its program. Furthermore, Mr. Wong states that much of the first year of the contract (commencing on November 15, 1999) was taken up by infrastructure matters such as constructing and furnishing new offices, developing training programs for all employee groups, and hiring and training personnel. Mr. Wong states that the Program's full range of services have only been in operation since May 27, 2000 (a period of four months), and that the Airport Commission has allowed Airport staff time to gain some operational experience before developing performance measures.

4. In the Budget Analyst's professional judgment, performance measurement is a crucial component of any new City program and should be integrated into new programs from the outset. In response to the absence of such performance data for this new service, the Airport notes the following:

- According to Mr. Wong, the Airport Curbside Management Program is a program which has never before been implemented on a comparable scale at a United States airport and, therefore, the Airport will be the first to develop performance measures for this type of program.
- The Airport Commission has formally requested Airport staff to develop performance measures. Mr. Wong advises that Airport staff are currently working with the contractor to draft performance measures over the next 60 to 90 days, so that finalized performance measures will become operable during the second contract year. In Attachment IV, Mr. Wong provides examples of performance measures currently under review.
- The Airport has the option not to exercise any of the three annual contract extension options which would remain should the Joint Venture's performance be deemed inadequate against the prospective performance measures. However, as previously noted, once the Board of Supervisors approves the subject ordinance, the three annual contract extension options would <u>not</u> be subject to Board of Supervisors approval.
- The Airport also has the right, at its sole discretion, to terminate the subject contract for convenience at any time.
- The Program is funded through the fees paid by the Airport's ground transportation operators. Therefore, according to Mr. Wong, ground transportation operators have a strong vested interest in ensuring that the Joint Venture actually improves the Airport's handling of ground transportation services because the operators are the funders of the Joint Venture's services.

Recommendation: Pending the Airport's development of performance measures and the inclusion of such performance measures in the Airport's contract with the Shuttleport/DAJA SFO Joint Venture, continue this proposed ordinance.

Attachment I

Curbside Mngt Prog. Cost Allocation*:		FY 00/01
	Share of Trips	$5,889,000
Taxi	48.8%	$2,873,000
Limo	26.3%	$1,550,000
Sceduled Buses	4.3%	$253,000
On-Demand Vans	20.6%	$1,212,000
*Based on # of Trips	100.0%	$5,888,000

Attachment I

San Francisco International Airport

Fax

P.O Box 8097
San Francisco, CA 94128
www.flysfo.com

Date
September 22, 2000

No of Pages
1

To
Alan Gibson, Budget Analyst's Office

Fax Number
415.252.0461

Tel Number
415 554.7642 x233

From
Dan L. Wong, Senior Transportation Planner

Fax Number
650.821.6508

Tel Number
650.821.6512

Comments

In regards to specific issues that led to the Airport to create the Curbside Management Program, they include but are not limited to:

1. Complaints from the taxicab drivers regarding the existing taxicab service. Specifically, they drivers wanted a more professional transportation company experienced in taxicab dispatching to conduct the operation rather than the Airport's current public parking operator.

2. Complaints from various door-to-door van operators regarding alleged dispatching irregularities.

3. Complaints from various door-to-door van operators regarding the apparent lack of consistant training of door-to-door van curb coordinators.

4. Complaints from the public as to both the quality of the information given by the various dispatchers and curb coordinators and their customer service demeanor.

5. Apparent lapses in service being provided by scheduled transit operators on their Airport-approved schedules.

6. The need to further improve the percentage of air passengers using ground transportation services to better manage increasing passenger volumes through the Airport.

7. The need to further improve efficiencies in the various ground transportation loading zones by expediting passenger pickups.

8. Increasing numbers of operators illegally soliciting passengers at or near ground transportation loading zones.

9. The need to provide quality and comprehensive ground transportation service during late night hours for our customers on delayed arriving flights.

Attachment III

SFO

San Francisco International Airport

Fax

P.O.Box 8097
San Francisco, CA 94128
www.flysfo.com

Date
September 18, 2000

No of Pages
1

To
Alan Gibson, Budget Analyst's Office

Fax Number
415.252.0461

Tel Number
415.554.7642 x233

From
Dan L. Wong, Senior Transportation Planner

Fax Number
650.821.6508

Tel Number
650.821.6512

Comments

The following is a brief synopsis of the history of the Curbside Management Program selection process. If you need additional Information, please contact me.

September & October 1998 - Met with the Airport's ground transportation operators to develop a multi-stage deployment of a comprehensive curbside management program encompassing door-to-door vans, limousines, scheduled transit and taxicab operations. The original concept was recommended by an Airport ground transportation consultant.

December 1998 - Airport Commission approved Resolution #98-0321 authorizing the Airport to issue an RFP for a contractor to operate the Airport's Curbside Management Program.

March 12, 1999 - Airport staff issued the RFP.

April 7, 1999 - Pre-Proposal Conference conducted.

May 14, 1999 - 3 proposals were submitted by the due date (i.e., CDSNet, Inc., Polaris/TTMC Joint Venture, and ShuttlePort/DAJA Joint Venture).

June 7, 1999 - Review panel conducted oral interview panels after reviewing the written submittals of all three proposers. Scores submitted to HRC for MBE/WBE rating discounts.

June 25, 1999 - HRC submitted to Airport final scores including MBE/WBE rating discounts. ShuttlePort/DAJA was the highest scorer with a cumulative score of 92.2 out of 100.

July 13, 1999 - Airport Commission approved Resolution #99-0233 authorizing the Airport Director to negotiate a contract with ShuttlePort/DAJA to operate the Airport's Curbside Management Program.

September 21, 1999 - Airport Commission approved Resolution #99-0333 to issue a contract to operate the Airport's Curbside Management Program to ShuttlePort/DAJA.

November 1, 1999 - Civil Service Commission approved said contract in Notice of Action for Contract #4079-99/00.

November 15, 1999 - Contract with ShuttlePort/DAJA became effective for one year with up to four additional one-year options.

cc: Edwin Leung/Alice Sgourakis/Ilze Rozenbergs/Chron/File 15S
Peter Nardoza/Eddie Angeles

SFO

San Francisco International Airport

Fax

P.O Box 8097
San Francisco, CA 94128
www.flysfo.com

Date September 19, 2000	
No of Pages 4	
To Alan Gibson - Budget Analyst's Office	**From** Dan L Wong, Senior Transportation Planner
Fax Number 415.252.0461	**Fax Number** 650.821.6508
Tel Number 415.554.7642 x233	**Tel Number** 650.821.6512

Comments

See the attached for a detailed breakdown of the additional positions for Year #2 of the Curbside Management Program. I trust that it is sufficient for your report.

In regards to proposed performance standards under review, we are currently reviewing the following:

1. Reduce employee turnover in the door-to-door van, limousine and scheduled bus programs by 10% in order to improve work unit productivity and positively effect customer service.

2. Reduce employee overtime % below industry average (currently approximately 7% in the transportation industry).

3. Respond to 100% of all customer service issues whether positive or negative within one (1) week.

4. Operate the entire Curbside Management Program within budgetary guidelines established by the Airport Commission and evaluate quarterly.

Obviously, additional ones may be developed; however, we plan to finalize such performance measures and implement them during Year #2 commencing November 15, 2000.

Thank you for your time in expediting this package to the Board of Supervisors

cc: Edwin Leung/Alice Sgourakis/Ilze Rozenbergs/Chron/File 15S
Eddie Angeles - Fax: 1.5086
Peter Nardoza - Fax: 1.5005

uttlePort/DAJA/SFO
n Francisco International Airport
). Box 250489
n Francisco, CA 94125-0489
50) 821-2701
x (650) 821-2703

To: Dan Wong

From: Daniel Bartz

Date: September 19. 2000

Re: Budget Increase Analysis

As requested, I have put together a page-by-page analysis of all budget increases from year one of the contract to year two. If you have any questions on these items, please call.

Page 1 Management Staffing:

HR/Training Director changed to Assistant GM,	$22,100
Staff Salary Increases (2%)	$ 6,650

Page 2 Operations Staffing:

Curbside Managers

1. Added one position to maintain 24 hour coverage	$45,510
2. Salary increases	$5,463

Taxi Supervisors

1. Added two positions to cover new IT 10 hours daily	$68,457
2. Wage increases	$21,353

Taxi Dispatchers

1. Added 7 positions for personnel not covered in original budget – Non-SF and Delta	$208,615
2. Added 4 positions for new IT coverage	$119,208
3. Wage increases	$24,440

Limo/Van Loading Zone Supervisors

1. Wage increases	$12,730

Limo & Loading Zone Monitors

1. Reduction of hours for new IT	($17,432)
2. Wage increases to meet Living Wage requirements	$42,640

Page 3 Management Benefits:

1. Health insurance increase 5%	$1,841
2. Other benefits increase	$3,435

Page 4 Operations Benefits:

1. Taxi Dispatch

a. Health insurance increase 5%	$81,925
b. Retirement plan increase	$26,312
c. Workers' Comp Insurance – 7.3% rate	$92,927
d. Other – FICA, FUTA, SUTA	$31,711

2. Taxi Supervisors

a. Health insurance increase 5%	$14,421
b. Retirement plan increase	$4,784
c. Workers' Comp Insurance – 7.3% rate	$16,824
d. Other – FICA, FUTA, SUTA	$7,737

Page 5 Operations Benefits:

1. Limo/Van Loading Zone Monitors

a. Health insurance - increase 67% (higher cost than original budget	$26,220
b. Other - FICA, FUTA, SUTA	$1,511

2. Limo/Van Loading Zone Supervisors

a. Health insurance – increase 67% (higher cost than original budget	$7,491
b. Other – FICA, FUTA, SUTA	$1,140

Page 6 Operations Benefits – Curbside Managers:

1. Health insurance – 5% increase	$7,364
2. Other – FICA, FUTA, SUTA	$6,524

Page 12 Equipment Lease/Purchase

Decrease from year one	($50,522)

Page 13 Other Project Costs:

Decrease from year one	($40,745)

Page 14 Pricing Summary:

1. Subcontracts to Supershuttle & Lorries – 3% increase	$25,500
2. Annual Support Services – same 9.1% as year one	$75,179
3. Profit – same 9.15% as year one	$82,470

Item 12 – File 00-1604

Department: Public Transportation Commission (PTC)
Municipal Railway (MUNI)

Item: Resolution concurring with the Controller's certification that facility security services for the Public Transportation Commission can continue to be practically performed by a private contractor at lower cost for the six-month period commencing July 1, 2000 than if work were performed by City and County employees.

Services to be Performed: Facility security services for Municipal Railway operations

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work by City and County employees.

Facility security services for Municipal Railway (MUNI) operations consist of unarmed stationary and roving guards at MUNI facilities, armed guards attending MUNI employees involved in the handling of cash, tickets and passes, and security analysis and development of plans for improving physical security at MUNI facilities.

The Controller has determined that contracting for the facility security services for MUNI for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$1,931,022	$2,305,020
Fringe benefits	592,513	651,306
Total	$2,523,535	$2,956,326
Contractual Service Cost*	1,590,648	1,598,722
Estimated Savings	$ 932,887	$1,357,604

*According to Mr. Joe Matranga of the Controller's Office, the Contractual Service Costs include (a) the current contractor's cost of $1,543,856 and (b) 0.5 FTE 8221 Chief, Protective Services position for contract monitoring, at the lowest salary step of $46,792, and highest salary step of $54,866.

Comments:

1. Facility security services for MUNI were first certified as required by Charter Section 10.104 in 1983 and have been provided by an outside contractor since 1975.

2. As noted above, the Contractual Service Cost used for the purpose of the analysis is based on: (a) the current contractor's cost of $1,543,856 to provide facility security services, and (b) the salary and fringe benefits of 0.5 FTE 8221 Chief of Protective Services (PTC), ranging from $46,792 at the lowest salary step to $54,866 at the highest salary step.

3. The Controller's estimated savings for FY 2000-2001 are based on a 12-month contract. However, the contract is for six months.

4. The current three-year contract, which commenced on January 8, 1998 and expires on January 8, 2001, is with King Security Services, Inc. According to Mr. Walter Gibbons, Director of Security at MUNI, the PTC plans to extend the contract for one year.

5. The Controller certified the subject security services, in accordance with Charter Section 10.104, on July 7, 2000. MUNI is therefore requesting approval of the proposed resolution approximately two months after the date of such certification. Therefore, the proposed resolution should be amended to provide for retroactive authorization.

6. The Controller's supplemental questionnaire with the Public Transportation Department's responses is shown in the Attachment to this report.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 5 above.

2. Approve the proposed resolution, as amended.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

).254
4/00

Wednesday, October 04, 2000 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:09 a.m.

001429 **[Sprint Spectrum Transmitter Lease at the Performing Arts Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the Performing Arts Garage to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swamer, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Assistant Director of Property, Real Estate Department.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001430 **[Sprint Spectrum Transmitter Lease at Pierce Street Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the Pierce Street Garage to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swamer, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Assistant Director of Property, Real Estate Department.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001431 **[Sprint Spectrum Transmitter Lease at the Fire Station No. 43]**

Resolution authorizing and approving a lease of cellular transmitter space at the Fire Station 43 to Sprint Spectrum Limited Partnership. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn; Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Assistant Director of Property, Real Estate Department.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001432 **[Nextel Communications Transmitter Lease at the S.F. General Hospital Garage]**

Resolution authorizing and approving a lease of cellular transmitter space at the San Francisco General Hospital Garage to Nextel Communications. (Real Estate Department)

8/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Supervisor Yee; Tom Swarner, Sprint; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Supervisor Bierman. Continued to October 4, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Assistant Director of Property, Real Estate Department.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001455 **[Reserved Funds, Human Services Department]**

Hearing to consider release of reserved funds, Department of Human Services, (Fiscal Year 2000-2001 Budget), in the amount of $700,000 to fund the Hotel Master Lease Program that will provide and operate a supportive hotel for formerly homeless individuals in San Francisco, retroactive to September 1, 2000. (Human Services Department)

8/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee Department requests this item be calendared at the September 6, 2000 meeting.

9/20/00, AMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Will Lightbourne, Executive Director, Human Services Department; Supervisor Ammiano. Amended to release $700,000 retroactively.

9/20/00, CONTINUED. Continued to October 4, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Will Lightbourne, Director, Human Services Department; James Tracy, Coalition on Homelessness.
Release of reserves in the amount of $700,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001492 **[Marina Yacht Harbor Fees]**

Supervisor Brown

Ordinance amending Part II, Chapter VI of the San Francisco Municipal Code (Park Code) to set fees at the San Francisco Marina Small Craft Harbor for services, including towing boats berthed illegally, removing berthholders' hazardous waste, and pumping out boats that have taken on water, and materials, including additional keys, harbor lines and keys and electrical adapters for temporary use.

8/21/00, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 9/20/2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Morlin, Recreation and Park Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001675 **[Government Funding, Moscone Center Expansion Project]**

Mayor

Ordinance appropriating $157,500,000 of proceeds from Lease Revenue Bonds to fund the Moscone Center Expansion Project for the Department of Administrative Services for fiscal year 2000-2001.

(Fiscal impact.)

9/25/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Moyer, Mayor's Office of Public Finance; Supervisor Yee; Leonard Tom, Administrative Services Department.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

001669 **[Moscone Center Expansion Project Financing]**

Ordinance approving the issuance of Lease Revenue Bonds of the City and County of San Francisco Finance Corporation; approving the execution and delivery of a site lease between the City and County of San Francisco, as lessor, and the City and County of San Francisco Finance Corporation, as lessee; approving the execution and delivery of a project lease between the Corporation, as lessor, and the City, as lessee; ratifying previous actions taken in connection with the foregoing matters; and authorizing the taking of appropriate actions in connection therewith. (Mayor)

(Fiscal impact.)

9/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Moyer, Mayor's Office of Public Finance; Supervisor Yee; Leonard Tom, Administrative Services Department.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

001531 **[Rincon Park Restaurant Site Lease at the Embarcadero between Harrison and Howard Streets]**

Resolution approving lease with Rincon Park Restaurants, LLC, and the City and County of San Francisco, operating by and through the San Francisco Port Commission, for the development of the Rincon Park Restaurant Site, San Francisco, California. (Port)

8/23/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Richard Hillis, Port; Jim Hass.
Amended to change term of Ground Lease from "66 years" to "50 years"; same title.
AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Yee, Bierman, Ammiano

001611 **[Academy of Sciences General Obligation Bond Issuance]**

Resolution providing for the issuance of not to exceed $87,445,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (California Academy of Sciences Improvement Bonds, 2000); authorizing the execution, authentication and registration of said Bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

9/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Karen Ribble, Mayor's Office of Public Finance.

RECOMMENDED by the following vote:
Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001612 **[Neighborhood Park General Obligation Bond Sale]**

Resolution authorizing and directing the sale of not to exceed $14,060,000 City and County of San Francisco General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000), Series 2000F; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

9/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Karen Ribble, Mayor's Office of Public Finance.
Amendment of the Whole to maintain flexibility in the naming and issuing of the bonds.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE by the following vote:
Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

Resolution authorizing and directing the sale of not to exceed $14,060,000 City and County of San Francisco General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000), Series 200_; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001613 [Golden Gate General Obligation Bond Sale]

Resolution authorizing and directing the sale of not to exceed $17,060,000 City and County of San Francisco General Obligation Bonds (Golden Gate Park Improvements, 1992), Series 2000E; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

9/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Karen Ribble, Mayor's Office of Public Finance.

Amendment of the Whole to maintain flexibility in the naming and issuing of the bonds.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution authorizing and directing the sale of not to exceed $17,060,000 City and County of San Francisco General Obligation Bonds (Golden Gate Park Improvements, 1992), Series 200_; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001614 **[Academy of Sciences General Obligation Bond Sale]**

Resolution authorizing and directing the sale of not to exceed $15,095,000 City and County of San Francisco General Obligation Bonds (California Academy of Sciences Improvement Bonds, 2000), Series 2000G; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

9/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Karen Ribble, Mayor's Office of Public Finance.

Amendment of the Whole to maintain flexibility in the naming and issuing of the bonds.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution authorizing and directing the sale of not to exceed $15,095,000 City and County of San Francisco General Obligation Bonds (California Academy of Sciences Improvement Bonds, 2000), Series 200_; prescribing the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of depositories and other agents for said Bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell Bonds; directing the publication of the notice of intention to sell Bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds. (Mayor)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001523 **[Contracting out Airport parking management operations for fiscal year 2000/01]**

Resolution approving the Controller's certification that parking management services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 2000 than if work were performed by City employees at budgeted levels. (Airport Commission)

8/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Fred Strong, Parking Management Services, Airport.

Amended to provide retroactivity.

AMENDED.

Resolution approving retroactively, the Controller's certification that parking management services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 2000 than if work were performed by City employees at budgeted levels. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001622 **[Grant to acquire Compressed Natural Gas (CNG) vehicles for permitted Airport bus operators to promote clean fuel use]**

Supervisor Leno

Resolution authorizing the Airport Commission to accept and expend a grant in the amount of $140,000 from the Bay Area Air Quality Management District (Air District) for acquisition of Compressed Natural Gas (CNG) buses. (Airport Commission)

9/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Roger Hooson, Airport.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001623 **[Grant to acquire Compressed Natural Gas (CNG) vehicles for permitted Airport shuttle bus operators to promote clean fuel use]**

Supervisor Leno

Resolution authorizing the Airport Commission to accept and expend a grant in the amount of $980,000 from the Bay Area Air Quality Management District (Air District) for acquisition of Compressed Natural Gas (CNG) shuttle vehicles. (Airport Commission)

9/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Roger Hooson, Airport.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001412 **[Butterfly Museum]**

Supervisor Bierman

Hearing to consider the status of the Environmental Impact Report and fund raising campaign for the proposed Butterfly Museum.

7/31/00, RECEIVED AND ASSIGNED to Transportation and Land Use Committee.

9/26/00, TRANSFERRED to Finance and Labor Committee.

Continued to October 18, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

SPECIAL ORDER - 11:30 A.M.

001509 **[Displacement/evictions of Arts Community and Non-Profit organizations]**

Supervisor Ammiano

Hearing to inquire into: 1) the recent displacement and evictions of the arts community and non-profit organizations; (2) the results of two studies conducted by the San Francisco Arts Commission and the Mayor's Office of Community Development.

8/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Pam David, Director, Mayor's Office of Community Development; Richard Newirth, Director, Cultural Affairs, Art Commission; Jim Morales, Executive Director, Redevelopment Agency; Jeff Jones; Jack Davis; Krissy Keefer; Debra Walker; Hank Wilson; Andrew Wood; Keith Hennessy; Tony Kelly; Carlos Romer; Rebecca Graff, Housing Rights Committee; Mark Tully, Political Ecology Group; Rachel Kaplan; Maxina Ventura; Edward Evans, Community Resources Action Project; Jared Kaplan; Catherine Kavanaugh; Russell Cramer; Nancy McNally, Stanford Music Department; Treavor Allen, Theatre Bay Area; Sini Anderson, Sister Spit; Jo Kreiter, Flyaway Productions; Katy Barnhill; Kevin Schaub; Glynn Washington, Human Services Network; Walter Cidlowski, 6th Street Photography Workshop; Peter Rothblatt; Lori Lewis, Dance Mission.

CONTINUED TO CALL OF THE CHAIR.

ADJOURNMENT

The meeting adjourned at 12:32 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 28, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: October 4, 2000 Finance and Labor Committee Meeting

Items 1, 2, and 3 - Files 00-1429, 00-1430, and 00-1431

Note: These items were continued by the Finance and Labor Committee at its meeting of September 20, 2000.

Department: Department of Administrative Services (DAS)
Division of Real Estate (DRE)

Items: Item 1, File 00-1429: Resolution authorizing and approving a lease of cellular transmitter space at the Performing Arts Garage to Sprint Spectrum Limited Partnership.

Item 2, File 00-1430: Resolution authorizing and approving a lease of cellular transmitter space at the Pierce Street Garage to Sprint Spectrum Limited Partnership.

Item 3, File 00-1431: Resolution authorizing and approving a lease of cellular transmitter space at the Fire Department Station 43 to Sprint Spectrum Limited Partnership.

Locations:	Item 1. File 00-1429: The Performing Arts Garage, administered by the Parking Authority and located on the northeast corner of Grove and Gough Streets (Assessors Block 792, Lot 29). Item 2, File 00-1430: The Pierce Street Garage, administered by the Department of Parking and Traffic and located on Pierce Street, between Lombard and Chestnut Streets (Assessor's Block 490, Lots 9-13). Item 3, File 00-1431: Fire Department, Station 43, located at 720 Moscow Street, between France and Italy Streets (Assessor Block 7338, Lot 24).
Purpose of Leases:	To allow Sprint Spectrum Limited Partnership to place cellular telephone transmitters on several City buildings (discussed below).
Lessor:	City and County of San Francisco
Lessee:	Sprint Spectrum Limited Partnership (SSLP)
No. of Sq. Ft. and Rent Per Month:	Item 1, File 00-1429: Approximately 375 square feet at $3,000 per month ($36,000 annually) Item 2, File 00-1430: Approximately 500 square feet at $3,000 per month ($36,000 annually) Item 3. File 00-1431: Approximately 250 square feet at $2,500 per month ($30,000 annually, see Comment No. 1)
Annual Rent Payable by Sprint Spectrum to The City:	Items 1 and 2. Files 00-1429 and 00-1430: $36,000 per year, per lease Item 3. File 00-1431: $30,000 per year (see Comment No. 1)

Beginning in the year 2001, and for the remaining four years of each of the three proposed leases, the base rent will be adjusted every July 1st by the annual percentage increase in the Consumer Price Index (CPI). The monthly base rent on or after the adjustment date cannot be less than the monthly base rent in effect immediately prior to the adjustment date.

Term of Leases: The three proposed leases with Sprint Spectrum would commence upon approval by the Board of Supervisors and the Mayor, and the earlier of: (1) 30 days following the tenant's written notice to the City that it has obtained all permits and approvals necessary for the tenant to be legally entitled to construct a facility for providing cellular telephone services; or, (2) 30 days following the date the tenant begins construction of the communications facilities for those phases for which SSLP has already received building permits (e.g. electrical wiring). The proposed leases are expected to commence in Fall of 2000 and would expire five years after the commencement date (in Fall of 2005).

Rights of Renewal: Under the terms of each of the proposed leases, the tenant would have three options to extend each lease for five years, for a total maximum lease term of 20 years per lease. Prior to each 5-year option, the base rent would be adjusted to equal the fair market rent of the subject property. This adjustment would be determined by the Department of Real Estate (DRE), using a market survey approach for comparable space leased for cellular telephone transmitters. Attachment I, provided by DRE, states how DRE sets its rental rates for such cellular telephone transmitters.

Utilities and Janitorial Provided by Lessor: The lessee will pay for the costs of all utilities and janitorial services for each of the three proposed leases.

Tenant Improvements: Upon commencement of the subject leases, SSLP will install at its own cost its cellular equipment on the three subject City buildings.

Descriptions:

Item 1, File 00-1429: The proposed resolution would authorize a 5-year lease between the City and Sprint Spectrum Limited Partnership (SSLP) for space on top of the Performing Arts Garage, located on the northeast corner of Grove and Gough Streets (Assessors Block 792, Lot 29).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter, including six transmitter cabinets on the top deck of the Performing Arts Garage and nine antennae panels attached to the outside of the parapet surrounding the garage's top deck.

Item 2, File 00-1430: The proposed lease would authorize a 5-year lease between the City and SSLP for space on top of the Pierce Street Garage, located on Pierce Street, between Lombard and Chestnut Streets (Assessor's Block 490, Lots 9-13).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter on the top deck of the Pierce Street Garage, including six antennae and the placement of a transmitter room containing seven cabinets above the stairway in the rear of the parking lot.

Item 3, File 00-1431: The proposed lease would authorize a 5-year lease between the City and SSLP for space on top of the Fire Department Station 43, located at 720 Moscow Street, between France and Italy Streets (Assessor Block 7338, Lot 24).

Under the subject lease, SSLP proposes to construct and maintain a cellular telephone transmitter on the roof of the Fire Station, including seven transmitter cabinets and nine antennae.

Comments:

1. According to Mr. Larry Jacobson of DRE, the proposed rental rate of $3,000 per month for the first two proposed leases at the Performing Arts Garage and the Pierce Street Garage (Items 1 and 2, Files 00-1429 and 00-1430) and $2,500 per month for the third proposed lease at the Fire Department Station 43 (Item 3, File 00-1431) represent the DRE's current rate for cellular communication site leases and are considered to be fair market value. Attachment I, provided by DRE, states how DRE determines the market

rate for cellular transmitter space. According to Mr. Jacobson, the rental value of a cellular communication site is based on the service provided to cellular phone users and the amount of potential phone traffic at specific locations, not on the basis of square feet. The rentable area at each of the three proposed leases varies in size due to the differing size specifications of the equipment needed at each location. The $3,000 monthly rent for each of the first two leases (Performing Arts Garage and the Pierce Street Garage) is $500 more per month than the $2,500 monthly rent for the third lease (Fire Department Station 43) because the first two leases would allow SSLP to service more vehicles than would the third lease, according to Mr. Jacobson.

2. Mr. Jacobson advises that DRE does not complete a competitive bidding process for awarding leases for cellular transmitter space. As stated in Attachment II, provided by DRE, SSLP selected the subject sites as part of the company's City cellular coverage plan. SSLP then requested to lease the cellular transmitter space from the City, as is the regular procedure, according to Mr. Jacobson.

3. According to Mr. Jacobson, at each of the three proposed locations there is sufficient space for a second cellular phone company to place a transmitter and antenna, as is required by the Federal Communications Commission (FCC).

4. According to Mr. Richard Lee of the Department of Public Health (DPH), Environmental Health Section, DPH reviews a Radiofrequency Radiation Ambient Report for all requests for cellular transmitter space on City and private property in the City. Mr. Lee reports that DPH reviewed reports for the three subject leases to ensure that the radio-frequency radiation levels of each cellular transmitter would comply with standards set by the FCC and the America National Standards Institute (ANSI).

5. Each of the three proposed resolutions authorizes the Director of Property to "...enter into any amendments or modifications to the Lease...that the Director of Property determines, in consultation with the City Attorney, are in the best interest to the City, do not increase the rent or otherwise materially increase the obligations or liabilities

of the City, are necessarily advisable to effectuate the purposes of the lease or this resolution, and are in compliance with all applicable laws, including the Charter."

6. As of the writing of this report, Mr. Harry Quinn of the Department of Real Estate (DRE) advises that DRE is still negotiating with SSLP over the terms of the three subject leases. Mr. Quinn reports that DRE will present any amendments to the leases directly to the Finance and Labor Committee at its meeting of October 4, 2000.

Recommendation: Approval of the three proposed resolutions is a policy matter for the Board of Supervisors.

Attachment I

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: August 17, 2000

TO: Emily Newman
Budget Analyst Office

FROM: Larry Jacobson
Real Estate Division

SUBJECT: Cell Phone Transmitter Rental Rates

This memorandum is to inform you of the three fees currently applied to cell phone transmitter sites that are large enough for a second cell phone company to co-locate and put a second transmitter in operation.

- $5,000.00 per month: Sites adjacent to US 101 Freeway, I-80 and Bay Bridge approach as well as Doyle Drive and the Golden Gate Bridge, e.g., Hall of Justice, San Francisco General Hospital. Rent is based upon traffic counts of 92,000,000 vehicles per annum on US 101/I-80, and 44,000,000 vehicles per annum on the Golden Gate Bridge.

- $3,000.00 per month: Site covering neighborhoods, e.g., Visitacion Valley, Excelsior, etc, which have large coverage area but low vehicle count on the streets, as well as major high volume streets, e.g., Oak, Fell, Gough, Franklin, Lombard, etc. Rent is based upon Oak-Fell, 25,000,000 vehicles per annum; Gough-Franklin, 22,000,000 vehicles per annum; and Lombard, 13,000,000 vehicles per year.

- $2,000-2,500 per month: Micro coverage for sites in geographically hard to reach areas such as Civic Center Plaza, Laguna Honda Boulevard at Dewey Boulevard intersection, three million vehicles per annum.

If you have any questions please call me at 554-9863.

I/LJ/cellph transmtr rentl BudgtAnalys /wtc

Attachment II

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: September 1, 2000

TO: Emilie Neumann
Budget Analyst's Office

FROM: Larry Jacobson
Senior Real Property Officer

SUBJECT: Siting Cellular Phone Transmitters;
Reason it is impractical to request bids

Each cellular phone company establishes its own set of cells; each cell covers a finite geographic area. The area of the cell, generally round, is affected by both topography and the amount of telephone traffic within any geographic area.

Cellular phone companies have different cell configurations. The cellular phone company determines where to place the transmitter and approaches the property owner.

The City and County of San Francisco can often accommodate cell phone companies on City property - but not always. There may be problems such as finding space for the transmitter equipment, 24-hour access, proximity to neighboring apartment houses, etc. Since cellular phone companies have differing needs for siting cell phone transmitters, it is impractical to request bids for a specific site since generally only one company has an interest in a selected site.

Finally, FCC requirements provide for co-location of cell phone equipment. The companies doing business in San Francisco have approached the City on a number of occasions seeking co-location; however, to date co-location has not occurred on City property.

i/users/LJ/cellph transmt siting Budg Analys

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FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400

San Francisco, CA 94

TOTAL P.01

Item 4 - File 00-1432

Note: This items was continued by the Finance and Labor Committee at its meeting of September 20, 2000.

Department: Department of Administrative Services (DAS)
Division of Real Estate (DRE)

Item: Resolution authorizing and approving a lease of cellular transmitter space at the San Francisco General Hospital Parking Garage to Nextel Communications.

Location: The San Francisco General Hospital Parking Garage, located at 23rd and Utah Streets (Assessor's Block 4219, Lot 1).

Purpose of Lease: To allow Nextel Communications to place cellular telephone transmitters on the San Francisco General Hospital Parking Garage.

Lessor: City and County of San Francisco

Lessee: Nextel Communications

No. of Sq. Ft. and Rent Per Month: Approximately 150 square feet, at $3,000 per month ($36,000 annually, see Comment No. 1)

Annual Rent Payable By Nextel Communications to the City: $36,000 annually. Beginning in the year 2001, and for the remaining four years of the lease, the base rent will be adjusted every July 1st by the annual percentage increase in the Consumer Price Index (CPI). The monthly base rent on or after the adjustment date cannot be less than the monthly base rent in effect immediately prior to the adjustment date.

Term of Lease: The proposed lease with Nextel Communications would commence upon approval by the Board of Supervisors and the Mayor, and the earlier of: (1) 30 days following the tenant's written notice to the City that it has obtained all permits and approvals necessary for the tenant to be legally entitled to construct a facility for providing cellular telephone services; or, (2) 30 days following the date the

tenant begins construction of the communications facilities for those phases for which Nextel Communications has already received building permits (e.g. for electrical wiring). The proposed lease is expected to commence in the Fall of 2000, and would expire five years after the commencement date (in Fall of 2005).

Rights of Renewal: Under the terms proposed lease, the tenant would have three options to extend the lease for five years, for a total maximum lease term of 20 years. Prior to each 5-year option, the base rent would be adjusted to equal the fair market rent of the subject property. This adjustment would be determined by the Department of Real Estate (DRE), using a market survey approach for comparable space leased for cellular telephone transmitters. Attachment I, provided by DRE, explains how DRE sets its rental rates for such cellular telephone transmitters.

Utilities and Janitorial Provided by Lessor: The lessee will pay for the costs of all utilities and janitorial services.

Tenant Improvements: Upon commencement of the subject lease, Nextel Communications will install at its own cost its cellular equipment on the roof of the San Francisco General Hospital Parking Garage.

Description: The proposed resolution would authorize a 5-year lease between the City and Nextel Communications for space on the roof of San Francisco General Hospital Parking Garage, located at 23rd and Utah Streets (Assessor's Block 4219, Lot 1).

Under the subject lease, Nextel Communications proposes to construct and maintain a cellular telephone transmitter, including six transmitter cabinets on the fifth level of General Hospital Parking Garage and six antennae on the roof of the elevator tower.

Comments: 1. According to Mr. Larry Jacobson of DRE, the proposed rental rate of $3,000 per month for the subject lease with Nextel Communications represents DRE's current rate for cellular communication site leases and is considered to be fair market value. According to Mr. Jacobson, the rental value of a cellular communication site is based on the

service provided to cellular phone users and the amount of potential phone traffic at specific locations, not on the basis of square feet.

2. Mr. Jacobson advises that DRE does not complete a competitive bidding process for awarding leases for cellular transmitter space. As stated in Attachment II, provided by DRE, Nextel Communications selected the subject site as part of the company's City cellular coverage plan. Nextel Communications then requested to lease the cellular transmitter space from the City, as is the regular procedure, according to Mr. Jacobson.

3. According to Mr. Jacobson, the location of the subject lease on the General Hospital Parking Garage contains sufficient space for a second cellular phone company to place a transmitter and antenna, as is required by the Federal Communications Commission (FCC).

4. According to Mr. Richard Lee of the Department of Public Health (DPH), Environmental Health Section, DPH reviews a Radiofrequency Radiation Ambient Report for all requests for cellular transmitter space on City property and privately-owned property in the City. Mr. Lee reports that DPH reviewed the report for the subject lease to ensure that the radio-frequency radiation levels of the proposed cellular transmitter would comply with standards set by the FCC and the America National Standards Institute (ANSI).

5. The proposed resolution authorizes the Director of Property to "...enter into any amendments or modifications to the Lease...that the Director of Property determines, in consultation with the City Attorney, are in the best interest to the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessarily advisable to effectuate the purposes of the lease or this resolution, and are in compliance with all applicable laws, including the Charter."

6. As of the writing of this report, Mr. Harry Quinn of the Department of Real Estate (DRE) advises that DRE is still negotiating with Nextel Communications over the terms of the subject lease. Mr. Quinn reports that DRE will present

any amendments to the lease directly to the Finance and Labor Committee at its meeting of October 4, 2000.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: August 17, 2000

TO: Emily Newman
Budget Analyst Office

FROM: Larry Jacobson
Real Estate Division

SUBJECT: Cell Phone Transmitter Rental Rates

This memorandum is to inform you of the three fees currently applied to cell phone transmitter sites that are large enough for a second cell phone company to co-locate and put a second transmitter in operation.

- $5,000.00 per month: Sites adjacent to US 101 Freeway, I-80 and Bay Bridge approach as well as Doyle Drive and the Golden Gate Bridge, e.g., Hall of Justice, San Francisco General Hospital. Rent is based upon traffic counts of 92,000,000 vehicles per annum on US 101/I-80, and 44,000,000 vehicles per annum on the Golden Gate Bridge.

- $3,000.00 per month: Site covering neighborhoods, e.g., Visitacion Valley, Excelsior, etc, which have large coverage area but low vehicle count on the streets, as well as major high volume streets, e.g., Oak, Fell, Gough, Franklin, Lombard, etc. Rent is based upon Oak-Fell, 25,000,000 vehicles per annum; Gough-Franklin, 22,000,000 vehicles per annum; and Lombard, 13,000,000 vehicles per year.

- $2,000-2,500 per month: Micro coverage for sites in geographically hard to reach areas such as Civic Center Plaza, Laguna Honda Boulevard at Dewey Boulevard intersection, three million vehicles per annum.

If you have any questions please call me at 554-9863.

I/LJ/cellph transmtr rentl BudgtAnalys /wtc

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25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Attachment II

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

DATE: September 1, 2000

TO: Emilie Neumann
Budget Analyst's Office

FROM: Larry Jacobson
Senior Real Property Officer

SUBJECT: Siting Cellular Phone Transmitters;
Reason it is impractical to request bids

Each cellular phone company establishes its own set of cells; each cell covers a finite geographic area. The area of the cell, generally round, is affected by both topography and the amount of telephone traffic within any geographic area.

Cellular phone companies have different cell configurations. The cellular phone company determines where to place the transmitter and approaches the property owner.

The City and County of San Francisco can often accommodate cell phone companies on City property - but not always. There may be problems such as finding space for the transmitter equipment, 24-hour access, proximity to neighboring apartment houses, etc. Since cellular phone companies have differing needs for siting cell phone transmitters, it is impractical to request bids for a specific site since generally only one company has an interest in a selected site.

Finally, FCC requirements provide for co-location of cell phone equipment. The companies doing business in San Francisco have approached the City on a number of occasions seeking co-location; however, to date co-location has not occurred on City property.

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TOTAL P.21

Item 5 - File 00-1455

Note: This item was continued from the September 20, 2000 Finance and Labor Committee meeting.

Department: Department of Human Services (DHS)

Item: Hearing to consider the release of reserved funds for the Department of Human Services for Fiscal Year 2000-2001, in the amount of $636,000, to fund the Hotel Master Lease Program that will provide and operate a supportive hotel for formerly homeless individuals in San Francisco.

Amount: $636,000

Source of Funds: FY 2000-2001 DHS budget. During the FY 2000-2001 budget review, the Finance and Labor Committee recommended and the full Board of Supervisors approved reserving $700,000 in the DHS budget for an additional master-leased hotel for homeless clients. DHS is now requesting release of the full amount of $700,000, and not $636,000 as stated in the hearing notice.

Description: DHS implemented the Hotel Master Lease program in 1999 to provide housing in residential hotels to formerly homeless clients. Currently, DHS has a contract with Tenderloin Housing Clinic (THC), a nonprofit organization which was selected through a Request for Proposal (RFP) process, to operate supportive housing programs for formerly homeless clients in residential hotels. In FY 1999-2000 THC entered into master lease agreements with three residential hotels (Seneca Hotel, Mission Hotel, and Jefferson Hotel) to provide supportive housing. In the FY 2000-2001 budget, DHS proposed two new master lease agreements in addition to the three master lease agreements noted above, for a total of five hotels with master lease agreements. DHS included $1,099,025 in the FY 2000-2001 budget for the two new master lease agreements: $399,025 for a master lease agreement with the Vincent Hotel at 459 Turk Street to provide 103 rooms for homeless clients and $700,000 for a master lease agreement for an undetermined hotel. The Board of Supervisors reserved $700,000, pending selection of a residential hotel. DHS is requesting release of $700,000, which includes $636,000 for a new master lease agreement with the Hartland Hotel and $64,000 to

increase the amount of the master lease agreement with the Vincent Hotel, as noted below.

DHS is requesting release of $636,000 of the $700,000 in reserved funds for a contract with THC to operate a supportive housing program at the Hartland Hotel at 909 Geary Boulevard. In July of 2000, DHS issued an RFP for a contractor to operate a supportive housing program and to enter into a master lease agreement with a new hotel. The RFP specified that the successful bidder was required to have experience working with formerly homeless individuals in a supportive housing environment and to have an agreement from a residential hotel owner to enter into a long-term master lease. Only THC responded to the RFP. The Human Services Commission approved the proposed contract with THC on August 24, 2000. Under the proposed contract between DHS and THC, THC would enter into a 10-year master lease agreement with the Hartland Hotel, 909 Geary Boulevard, to provide 137 rooms for homeless clients. The hotel rooms were available September 1, 2000, and approximately 54 former tenants of the Hartland Hotel who were displaced when the hotel burned in February of 1999 began moving back into the hotel. As explained in the attached memorandum (Attachment I), Ms. Julie Brenman of DHS states that the master lease agreement for the management and operation of the supportive housing program at the Hartland Hotel became effective on September 1, 2000, and therefore, the request for the release of the reserved funds is retroactive.

DHS reports that other prospective tenants, who are participants in the PAES program[1] or who are currently sleeping in homeless shelter beds, have been identified. The former tenants of the Hartland Hotel who were displaced due to the fire will pay the monthly room rental rate in effect for each tenant prior to the fire. Under the master lease agreement, the room rental rate for new tenants will be $450 per month, which is the same rate in effect for the master lease agreements with the Vincent, Seneca, and Mission Hotels. The monthly room rental

[1] The PAES (Personal Assisted Employment Services) program, which was implemented by DHS in October of 1998, is a voluntary program available to all General Assistance recipients who are employable but are temporarily unemployed.

rate under the master lease agreement with the Jefferson Hotel is $400 per month.

Additionally, DHS is requesting release of $64,000 of the $700,000 to partially fund an increase in the master lease agreement with the Vincent Hotel. According to Mr. Kayhan, the actual lease agreement with the Vincent Hotel is $471,958, which is $72,933 more than the budgeted amount of $399,025. Mr. Kayhan states that DHS included funds for approximately 10 to 11 months of operation of the supportive housing program at the Vincent Hotel. Mr. Kayhan reports that the hotel became available for occupancy on June 1, 2000, and that tenants began to move into the hotel in June of 2000. Therefore, Mr. Kayhan states that the Vincent Hotel will be occupied for the full 12 months of FY 2000-2001, rather than 10 to 11 months, as originally anticipated. Mr. Kayhan states that additional funds in the amount of $8,933 ($72,933, which is the amount of the shortfall, less $64,000, which is the amount of available funds on reserve) are available in the FY 2000-2001 DHS budget.

Budget: The proposed budget for the Vincent and Hartland Hotels supportive housing programs is as follows:

	Funds appropriated and available in FY 2000-2001 budget	Funds reserved in FY 2000-2001 budget process	Additional funds available in DHS budget	Total hotel operating and supportive services costs
Vincent Hotel				
Operating costs[1]	$399,025	$ 64,000	$ 8,933	$471,958
Hartland Hotel				
Operating costs[1]		517,633		
Supportive services[2]		118,367		636,000
Total reserved funds		$700,000		$1,107,958

[1] Operating costs include salaries and benefits of hotel staff; hotel operating expenses, such as utilities building maintenance supplies, insurance, and elevator contract.

[2] The supportive housing program at the Hartland Hotel will incur costs for supportive services in addition to the costs for supportive services included in the FY 2000-2001 DHS budget for the supportive services for the other four hotels (Seneca, Mission, Jefferson and Vincent Hotels).

BOARD OF SUPERVISORS
BUDGET ANALYST

Attachment II, provided by DHS, contains details to support the summary budget noted above.

Comment: According to Mr. Kayhan, the target population for the residential hotel master lease program are homeless participants in the PAES program, and low-income working adults, recipients of Supplemental Security Income Pending program (SSIP), Veterans Administration benefits, Supplemental Security Income (SSI) and Social Security funds, who are currently residing in emergency shelters. Under the contract with THC, DHS will refer new clients to THC for placement in the hotel. All clients will be eligible for supportive services provided by THC. The master lease agreements with the Vincent and Hartland Hotels provide for a monthly room rental rate of $450. Mr. Kayhan states that tenants will pay all or a portion of the monthly rent, depending on income, and DHS will provide rental subsidies up to $150 per month to eligible tenants. Mr. Kayhan reports that DHS implemented the rental subsidy program in 1998 to aid PAES program participants for whom homelessness was a barrier to employment. The rental subsidy program, which is operated by THC, provides a time-limited rental subsidy to homeless individuals who have developed an employment plan. PAES participants are eligible for the rental subsidy for 12 months, with the possibility of extensions up to a maximum of 27 months. If PAES participants obtain an income of $815 per month or greater, they are no longer eligible for the subsidy. SSIP clients are eligible for the subsidy until they begin receiving SSI, and other working clients are eligible for the subsidy until they achieve an income of $601 monthly.

Recommendation: Approve retroactively release of the requested funds in the amount of $700,000.

Attachment I

City and County of San Francisco — Department of Human Services

Will Lightbourne
Executive Director

Deputy Directors
Bill Bettencourt
Jim Buick
Sally Kipper

MEMORANDUM

September 13, 2000

TO: Severin Campbell, Budget Analyst's Office

FROM: Julie Brenman, Director of Planning and Budget

RE: Retroactive Approval for Release of Reserve

DHS is requesting the release of $700,000 in reserved funds for the master lease hotel program. We had originally tried to calendar this item for the August 23, 2000 meeting of the Finance and Labor Committee. Unfortunately, the Committee's calendar was very full and we were told that your office would not be able to provide an analysis of the item. As you know, the Board of Supervisors then cancelled all of their meetings for the next three weeks. The September 20, 2000 meeting was the first meeting of the Finance and Labor Committee after the August 23rd meeting.

While our request was made with enough notice to calendar the item on August 23rd, it was not made with far enough in advance of the committee meeting to provide your office with adequate time to analyze the request. We were not able to make our request earlier because the contractor was not selected until mid-August and funds were placed on reserve pending contractor selection.

At the time we learned that the Committee would not be able to consider the release of reserve until September 20th, we faced two options: (1) Delay the start of the program past the planned start date of September 1, 2000, which would leave homeless persons without housing, or (2) Start the program prior to formal Committee approval. Given these two options, our Executive Director, Will Lightbourne, met with Supervisor Yee, the Chair of the Committee and a representative from Supervisor Ammiano's office, as Supervisor Ammiano had originally requested the funds be placed on reserve pending contractor selection. At both meetings, he explained that the Board's vacation schedule created a situation where it was necessary for us to begin the program on September 1st and seek retroactive Committee approval at the September 20th hearing.

The new masterlease program for the Hartland hotel did in fact start on September 1, 2000. While no funds have been expended to date as we have not received our first invoice, we have committed the funds to the contractor.

If you have any questions, please contact me at 557-5641.

15) 557-5000 P.O. Box 7988 San Francisco, California 94120

	A	B	C	D'	E	F	G
1					Appendix B, Page		
2					Document Date.		
3	DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY						
4	BY PROGRAM						
5	Contractor's Name				Contract Term		
6	TENDERLOIN HOUSING CLINIC - MASTERLEASE PROGRAM						
7	(Check One) New ____ Renewal ____	Modification ☑					
8	If modification, Effective Date of Mod.	No of Mod	First year of Contract - July 1, 2000 to June 30, 2001				
9	Program:	Seneca	Mission	Jefferson	Vincent	Hartland	TOTAL
10	Budget Reference Page No (s)						
11	Program Term	7/00 - 6/01	7/00 - 6/01	7/00 - 6/01	7/00 - 6/01	Mod 8/2000 7/00-6/01	7/00 - 6/01
12	Expenditures						
13	Salaries & Benefits	$384,355	$336,503	$337,813	$332,589	$270,230	$1,641,290
14	Operating Expense	$239,574	$190,317	$130,869	$131,369	$240,003	$932,132
15	Capital Expenditure	$17,000	$11,000	$2,000	$6,000	$7,400	$45,400
16	Subtotal	$820,020	$537,820	$470,482	$471,958	$517,833	$2,818,822
17	Indirect Percentage (%)						
18	Indirect Cost (Line 16 X Line 17)						
19	Total Expenditures	$620,029	$537,820	$470,482	$471,958	$517,833	$2,618,822
20	DHS Revenues						
21	General Fund	$820,929	$537,820	$470,482	$471,958	$517,833	$2,618,822
22							
23							
24							
25							
26							
27							
28							
29	TOTAL DHS REVENUES	$820,020	$537,820	$470,482	$471,958	$517,833	$2,618,822
30	Other Revenues						
31							
32							
33							
34							
35							
36	Total Revenues						
37	Full Time Equivalent (FTE)						
39	Prepared by.		Telephone No..				Date
40	DHS-CO Review Signature:						
41	DHS #1						2/1/00

Appendix B, Page
Document Date: 4/21/00

DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY BY PROGRAM

Contractor's Name	Contract Term
Tenderloin Housing Clinic, Inc.	7/1/00 to 6/30/03

(Check One) New Renewal Modification ☑
If modification, Effective Date of Mod. No. of Mod.

Program:	Hartland			
Budget Reference Page No.(s)	Supportive Svcs			
Program Term:	Mod 8/2000			
Expenditures				
Salaries & Benefits	$65,067			
Operating Expense	$50,900			
Capital Expenditure	$2,400			
Subtotal	$118,367			
Indirect Cost				
Indirect Percentage (%) of direct cost (Line 16)				
Total Expenditures	$118,367			
DHS Revenues				
General Fund	$118,367			
TOTAL DHS REVENUES	$118,367			
Other Revenues				
Full Time Equivalent (FTE)	2.1			

Prepared by: Kerry Abbott Telephone No.: (415) 771-2427 Date: 1/4/00

DHS-CO Review Signature: ______________________

DHS #1 3/18/99

Item 6 – File 00-1492

Department: Recreation and Parks Department (RPD)

Item: Ordinance amending Part II, Chapter VI of the San Francisco Municipal Code (Park Code) to set fees at the San Francisco Marina Small Craft Harbor for services (including towing boats berthed illegally, removing berth-holders' hazardous waste, pumping out boats that have taken on water) and materials (including additional keys, harbor lines and keys and electrical adapters for temporary use).

Description: The proposed ordinance would change the fee structure for services provided and for goods that can be purchased at the San Francisco Marina Small Craft Harbor. The proposed ordinance would also require deposits on certain Harbor items currently used by patrons, in addition to the proposed fees.

Specifically, proposed changes to the existing fee structure for services at the Harbor include:

- Increasing fees for pumping out boats that are taking on water from $40 to $50 for the first incident, and from $40 to $100 for each incident after the first. After a third incident, the berthing agreement with the tenant requiring the service would be cancelled;
- Instituting a fee of $50 for towing illegally birthed or unregistered transient vessels;
- Instituting a fee of $50 for removal and disposal of hazardous materials left on the docks, such as batteries and motor oil, by Harbor staff; and
- Instituting a fee of $25 for installation of dock line[1].

Proposed changes to the existing fee structure for materials at the Harbor include:

- Increasing the amount charged for purchase of dock lines from $10 to $25; and
- Increasing the amount charged for replacement of lost keys from $3 to $20.

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[1] "Dock line" is rope that is used to tie boats to the docks, ensuring that they do not drift from their berths.

Proposed fee changes would also include the addition of the following deposits:

- Addition of a $20.00 deposit requirement for use of Harbor keys by transient boaters; and
- Addition of a $100.00 deposit requirement for use of Harbor electrical adapters[2] at transient berths.

Comments:

1. According to Mr. Ed Ross, Harbor Master of the San Francisco Marina Small Craft Harbor, proposed fees are intended to recover costs presently being incurred by the Harbor under the current fee structure. Mr. Ross notes that some of the proposed fees are also meant to act as a deterrent, and that such fees should curtail unwanted and costly activity by Harbor tenants.

2. Mr. Ross states that, based on activity at the Harbor in FY 1999-2000, the proposed fees could result in total revenues of $6,590 per year, or $5,228 more than FY 1999-2000 revenue of $1,362. The following is a breakdown of the revenue that would be generated by the proposed fees:

Fee	Revenue Under FY 1999-2000 Fees	Estimated Revenue - Proposed Fees[3]
Pumpout Services	$960	$1,800
Towing	0	600
Hazardous Waste Removal	0	--[4]
Harbor Line Installation	0	1,250
Provision of Keys	402	2,680
Provision of Harbor Line	0	260
Total	$1,362	$6,590

[2] According to Mr. Ed Ross, Harbor Master at the San Francisco Marina Small Craft Harbor, the electrical infrastructure at the docks is out of date and does not allow modern vessels to connect directly to the Harbor electrical system. The electrical adapters provided by the Harbor enable modern boats to connect to the Harbor electrical system.

[3] As noted earlier, this estimate is based on activity at the Harbor during FY 1999-2000. Since the proposed fees are expected to deter some of the activity requiring these services, this revenue estimate represents a likely upper bound for potential revenues.

[4] As of the writing of this report, the Harbor was unable to provide an estimate as to how often Harbor staff removed hazardous materials from the docks in FY 1999-2000. Mr. Ross states that he expects that, if the proposed fees are approved by the Board, very few tenants will continue to leave inappropriate materials on the docks.

In addition to fee revenues shown above, charging a deposit for electrical adapters would deter theft, which cost the Marina Small Craft Harbor $2,400 in FY 1999-2000.

3. According to Mr. Ross, the recommended fees have been established based on the estimated cost of staff time and materials for each service. Mr. Ross notes these activities generally do not require overtime by Harbor personnel.

4. Mr. Ross reports that the 1999 performance audit of the Marina Small Craft Harbor performed by the Controller's Office contained a general recommendation for the Harbor to enforce its current rules more strictly. Mr. Ross notes that the proposed fees are responsive to that recommendation in that they will provide financial disincentives to breaking certain regulations that are currently ignored my many tenants. For example, Mr. Ross states that the leaving of hazardous materials on the docks, and the failure to personally replace deteriorating dock line are both currently against Harbor rules; however, currently there are no consequences to violating these rules, and they are thus disregarded by many tenants. The proposed ordinance would establish a fee that would be charged to tenants when Harbor staff is forced to remove hazardous waste or replace deteriorating dock line.

5. According to Ms. Angela Gengler of RPD, the proposed fee increases would be the first increases in Marina Small Craft Harbor fees since prior to 1993[5].

6. Mr. Ross reports that revenues that would be realized from the proposed fees were not included in the FY 2000-2001 budget.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

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[5] As of the writing of this report, the Harbor was not able to identify exactly when Harbor fees were adjusted last.

Items 7 and 8 - Files 00-1675 and 00-1669

Departments: Mayor's Office of Public Finance
Convention Facilities Management
Department of Administrative Services

Items: Supplemental appropriation ordinance for $157,500,000 of proceeds from Lease Revenue Bonds for the Moscone Center Expansion Project (File 00-1675).

Ordinance approving the issuance of $157,500,000 in lease revenue bonds of the City and County of San Francisco Finance Corporation; approving the execution and delivery of a site lease between the City and County of San Francisco as Lessor, and the City and County of San Francisco Finance Corporation, as Lessee; approving the execution and delivery of a project lease between the Corporation, as Lessor, and the City, as Lessee; ratifying previous actions taken in connection with the foregoing matters; and authorizing the taking of appropriate actions in connection therewith (File 00-1669).

Amount: $157,500,000

Source of Funds: Net Proceeds from Lease Revenue Bonds for Moscone Center Expansion Project

Description: In March of 1996, the voters of San Francisco approved the lease financing of a further expansion of the Moscone Convention Center (Moscone West) through the issuance of $157,500,000 of lease revenue bonds. Moscone West, to be located at 4th and Howard Streets, will consist of an 800,000 square foot free-standing convention facility, providing 300,000 square feet of rentable exhibit and meeting room space on three floors. The Moscone West expansion will increase the existing approximately 600,000 rentable square foot of exhibit and meeting room space for Moscone Center by 50 percent, to provide a total of approximately 900,000 square feet of leasable convention and exhibit space. This expansion will enable the City to attract a greater number and larger conventions than are currently able to be booked into the existing facility. The remaining 500,000 square feet of the Moscone West expansion project (800,000 square foot expansion less 300,000 square foot of leaseable exhibit

and meeting rooms) would be used for lobby space, utility rooms, truck delivery areas, elevator and stairs, back offices, and related support services.

The proposed ordinance (File 00-1669) would approve the issuance of an aggregate principal amount not to exceed $157,500,000 of Lease Revenue Bonds by the San Francisco Finance Corporation. The San Francisco Finance Corporation is a nonprofit public benefit corporation, formed in 1991 to, among other purposes, facilitate lease financing for the City. The $157,500,000 of bonds are anticipated to be sold in three separate series in the principal amount of $52,500,000 for each series (Series 2000-1 Bonds, Series 2000-2 Bonds and Series 2000-3 Bonds) in November of 2000.

The proposed supplemental appropriation (File 00-1675) would appropriate the entire $157,500,000 for the costs related to the bonds and the Moscone West expansion project. As shown in Attachment I, proceeds from the proposed $157,500,000 bond issuances would be used to pay for an estimated $133,000,000 of the $169,610,000 total construction contract costs for Moscone West. The balance of $24,500,000 ($157,500,000 bond issuance less the $133,000,000 net bond proceeds for the contract) would be used to pay for capitalized interest, the underwriters discount and the cost of issuing the bonds, as discussed in the Budget Section below.

To date, the City has completed the planning and design of the facility, acquired the site, completed demolition and excavation of the site, and begun construction. As shown in Attachment II, to date, the City has appropriated a total of approximately $157 million for this project. Construction of Moscone West is anticipated to be open for operation by July of 2003.

The proposed ordinance would also approve (1) a Site Lease and (2) a Project Lease between the City and the San Francisco Finance Corporation. Under the Site Lease, the Moscone Center West site would be leased by the City, as the lessor, to the San Francisco Finance Corporation, as the lessee. Under this Site Lease, the San Francisco Finance Corporation would pay the City $1 of advance rent, for the period from November 1, 2000 to

November 1, 2030, which is the expected term for the lease revenue bonds and the Project Lease. Under the Project Lease, the Moscone Center West facility would be leased by the San Francisco Finance Corporation, as the lessor, back to the City, as the lessee. The City, under the Project Lease, will be required to make rental payments to the Corporation for the use and occupancy of Moscone West equal to the payments on the bonds and all ongoing costs related to these bonds, such as the annual administrative fees of the trustee. Ms. Sarah Hollenbeck of the Mayor's Office of Public Finance advises that this transfer of Moscone West from the City to the San Francisco Finance Corporation and back to the City under the Site and Project Leases is typical for the City's lease financing and is the same structure the City employed in the financing for the previously authorized 911 Emergency Center. Ms. Hollenbeck advises that the total rental payments under the Project Lease are anticipated to average approximately $9,682,511 annually, and would be a City General Fund obligation.

Budget:

Construction Fund	$133,000,000
Capitalized Interest	22,000,000
Underwriters Discount	264,000
Costs of Issuance	2,236,000
Total	$157,500,000

As shown in Attachment I, the total estimated cost of Moscone West is $358,295,000, including a construction contract cost of $169,610,000. The proposed issuance of $157,500,000 of lease revenue bonds is anticipated to provide $133,000,000 of construction funds for the Moscone West Project, with the balance of $24,500,000 ($157,500,000 less $133,000,000) to be used for capitalized interest, underwriters discount and the costs of issuance, as itemized above. Capitalized interest expenses are the required debt service payments on the bonds during the period between the sale of the bonds and the completion of the capital improvement project because under State law the City cannot be obligated to pay rent on the project until it has beneficial use of the facility.

Since 1996, the Board of Supervisors has appropriated approximately $157 million and to date, the City has expended approximately $120 million for the design, site

acquisition and preliminary construction of Moscone West. As shown in Attachment II, these funds include: Convention Facilities Funds of $58,682,200, Hotel Taxes of $81,300,000 and Other Revenues of $16,814,700, for a total of $156,796,900, which thus far has been sufficient to support the ongoing expenditures of the Moscone West expansion project. As a result, to date, none of the $157,500,000 in lease revenue bonds authorized by the voters in 1996 have been sold. By deferring the sale of these bonds, the City has reduced the amount of capitalized interest that will be incurred.

The proposed ordinances would authorize the issuance of the $157,500,000 of lease revenue bonds by the San Francisco Finance Corporation and appropriate these funds for the Moscone West project and related expenses. The remaining $68,498,100 (total project cost of $358,295,000 less $289,796,900, which includes $156,796,900 of previously appropriated funds and $133,000,000 from the subject bonds allocated to the project) would still need to be appropriated for the completion of this project. Mr. Leonard Tom of the Convention Facilities Management advises that the $68,498,100 of remaining funds are anticipated to be provided from the General Fund, primarily from the City's Hotel Taxes (See Comment No. 9).

Ms. Erin McGrath of the Mayor's Office advises that the convention and exhibits revenues generated by Moscone West are estimated to be approximately $8.6 million in FY 2003-04, and to increase each subsequent year. According to Ms. McGrath, these revenues will be used to pay for the direct operating costs for Moscone West. Ms. McGrath advises that Moscone West is estimated to cost approximately $10 million beginning in FY 2003-04 and to increase subsequently, such that the projected operating costs will continue to be greater than the revenues generated by Moscone West, such that these revenues would not be directly available to pay for the debt service on the proposed lease revenue bonds.

Comments:

1. The Department of Public Works (DPW) is responsible for managing the construction of Moscone West, and has hired, under an RFP process, Moscone Associates Joint

Venture, a five-member joint venture with The Allen Group and EPC Consultants as lead partners, to assist with certain construction management aspects of the construction project. In 1996, the architecture team of Gensler/Michael Willis/Kwan Henmi Joint Venture was selected through an RFP process to design Moscone West. In June of 2000, after a competitive bid process was completed, DPW awarded the general construction contract in the amount of $169,610,000 to Hunt Construction Group (HCG), which was previously known as Huber, Hunt and Nichols, the firm which constructed PacBell Park and San Francisco City Hall. HCG began construction work on the Moscone West project on August 7, 2000.

2. Mr. Dave Sanchez of the City Attorney's Office advises that there will be two outside bond counsel firms involved in the issuance of these bonds, including Jones Hall, LLP and a local WBE firm, Leslie M. Lava. Both firms were selected through a RFP process. In addition, Ms. Hollenbeck advises that the City has hired Kitahata & Company, a local MBE firm and Montague DeRose and Associates, as financial advisors on this project. According to Ms. Hollenbeck, the City will purchase a bond insurance policy from Ambac Assurance Corporation, a AAA-rated insurer and will further mitigate the potential risk of the proposed variable rate short-term bonds through a liquidity bank, Morgan Guaranty Trust Company. The liquidity bank will ensure that in the event the bonds cannot be remarketed, the liquidity bank will purchase the bonds and hold them until they can be remarketed.

3. The proposed $157,500,000 of lease revenue bonds are anticipated to be issued approximately November 1, 2000. In accordance with language in the proposed ordinance, the bonds interest rates cannot exceed 12 percent. However, according to Ms. Hollenbeck, the lease revenue bonds are proposed to be issued under a new multi-modal structure, which would permit more flexibility in determining the interest rates for the bonds by allowing the City to take advantage of the current more favorable short-term variable interest rates or alternatively to use the more traditional long-term fixed rate bonds, depending on market conditions at the time the bonds are

actually sold. In either case, Ms. Hollenbeck advises that the bonds would be issued with a given final maturity date. However, with the fixed rate bonds, the interest rate would be determined for the life of the issue at the time the bonds were sold. Alternatively, under the proposed variable rate bonds, the interest rate would be reset at specific intervals, such as daily, or weekly. Investors who purchase these short-term bonds would have the option to "put" their bonds back each time the interest rate is reset, through a remarketing agent, who would adjust the rates if necessary to attract buyers.

4. As discussed in Attachment III, provided by Ms. Hollenbeck, a five-year comparison of variable interest rate bonds and fixed rate bonds found that short-term weekly rates averaged 3.54 percent vs. 5.77 percent for long-term (30 year) fixed rate bonds. Over a ten-year period, the averages were 3.51 percent for weekly variable rates and 6.19 percent for long-term fixed rates. As shown in Attachment III, assuming an interest rate of 3.91 percent for a variable rate bond issuance and 5.45 percent for a fixed rate bond issuance, issuance of a variable rate bond would provide $3,248,905 of additional funds to be available for construction of Moscone West and require $1,862,438 less in capitalized interest costs for the City. Ms. Hollenbeck also advises that although bond insurance and a liquidity facility would be required for the variable rate bonds, a separate set-aside reserve fund will not be required for these variable rate bonds. As a result, overall, as shown in Attachment III, the average annual debt service payments would be $1,457,921 lower with the proposed variable rate bonds vs. the fixed rate bonds, which over the life of the 30-year bonds would be approximately $50 million, or $26 million present value, according to Ms. Hollenbeck.

5. Attachment III also details both the advantages and disadvantages of using variable rate debt as well as the steps that will be taken to mitigate the risks associated with variable rate debt. As discussed in Attachment III, although short-term rates have historically been lower than longer-term rates, there is no guarantee that (1) short-term rates will continue to be lower than long-term rates, that (2) the long-term rate that the City could lock in when these bonds are sold in November of 2000, would

be higher than future short-term rates and (3) there is significantly more volatility and therefore risk, in short-term rates. However, Ms. Hollenbeck advises that an analysis of rates over the past ten years indicates that there was only one year (1990), when short-term rates were higher on average than the estimated (5.45%) long-term rate at which the City has assumed the fixed rate long-term bonds could be sold. Furthermore, Ms. Hollenbeck reports that the Mayor's Office of Public Finance believes "the risks associated with the variable rate debt can be mitigated sufficiently for the City to be comfortable assuming the relatively limited amount of variable rate exposure represented by the proposed Moscone financing."

6. Ms. Hollenbeck advises that San Francisco has never issued any variable rate debt previously. However, she advises that the State of California, the Counties of San Diego and Los Angeles and the Cities of Los Angeles, San Diego and San Jose have issued such variable debt in the past to take advantage of the more favorable interest rates.

7. According to Ms. Hollenbeck, although it is possible to issue a combination of fixed rate and variable rate bonds, the Mayor's Office of Public Finance currently anticipates that all of the proposed $157,500,000 of Moscone West lease revenue bonds would be issued as variable rate bonds because of the more favorable interest rate environment. Assuming the entire $157,500,000 is issued as variable rate bonds, the total gross debt service over the 30-year life of the bonds is anticipated to be $279,389,363, and the average annual debt service, after the capitalized interest period, is anticipated to be $9,682,511. Including the capitalized interest period, the average annual debt service is anticipated to be $9,312,979.

8. The proposed $157,500,000 of lease revenue bonds are proposed to be issued in three separate series of $52,500,000 each, which would be issued concurrently. According to Ms. Hollenbeck, since a separate remarketing agent will be hired by the City to sell each of the three series, this procedure should foster competition to allow the City to receive the lowest interest rates, and

the City does not receive favorable interest rates, Ms. Hollenbeck advises that the City can remove and replace one or more of the remarketing agents. Currently, the three remarketing agents selected through an RFP process, managed by the Mayor's Office of Public Finance, are (1) JP Morgan Co. (2) Banc of America Securities and (3) E.J. de la Rosa, a DBE firm.

9. The Convention Facilities Fund will be the source of funds for the lease revenue payments. However, because the Convention Facilities Fund must be subsidized by the City's General Fund, the City's General Fund is ultimately obligated to make the required lease payments to the San Francisco Finance Corporation to cover the costs of the debt service and related administrative expenses of the bonds. However, it should be noted that in 1996, the City increased the Hotel Tax from 12 percent to 14 percent, an increase of two percent, with the intention that the additional revenue from this two percent increase in the Hotel Tax would be sufficient to cover the costs of the expansion of Moscone West. Although these Hotel Tax revenues cannot be specifically dedicated for this purpose, Mr. Tom advises that the City's Hotel Tax has generated the following amounts of revenue for the City over the past five years:

Fiscal Year	Total 14% Hotel Tax Revenues (mills)	Two Percent of Hotel Tax Revenues (mills)
1995-96*	$103.0	NA
1996-97*	137.6	(estimated) $18.0
1997-98	152.4	21.8
1998-99	161.5	23.1
1999-2000	182.1	26.0

*Rate increased to 14% in August of 1996.

As indicated above, the additional two percent of Hotel Taxes has, over the past three years, generated more than twice the required average annual debt service expenses of $9,682,511.

Recommendation: Approve the proposed ordinances.

Moscone Center Expansion Project
Estimated Project Budget and Funding Sources

Project Component	City Contribution	Bond Financing	Total Estimated Cost
Project and Construction Management	$ 17,497,000	$ -	$ 17,497,000
Preconstruction:			
Engineering, Design, and Inspections	15,375,000	-	15,375,000
Environmental Reviews and Permits	526,000	-	526,000
Art Design, Construction, and Administration	2,362,000	-	2,362,000
Site Acquisition and Relocation	110,360,000	-	110,360,000
Misc. Consultant, Staff, Administrative Fees and Permits	3,687,000	-	3,687,000
Subtotal Preconstruction	132,310,000	-	132,310,000
Construction:			
Demolition, Excavation, Shoring, and Toxics Abatement	8,450,000	-	8,450,000
General Construction Contract	36,610,000	133,000,000	169,610,000
Construction Contingency	17,160,000	-	17,160,000
Offsite Infrastructure	4,868,000	-	4,868,000
Furnishings, Fixtures & Equipment	8,400,000	-	8,400,000
Subtotal Construction	75,488,000	133,000,000	208,488,000
Total	$ 225,295,000	$ 133,000,000	$ 358,295,000

Attachment II

Fiscal Year	Hotel Tax	CFM Fund Balance	Bond Proceeds	Other Revenues	Total
1996-97	$ 16,000,000	$ 13,466,000	$ -	$ -	$ 29,466,000
1997-98	-	15,991,800	-	-	15,991,800
1998-99	23,100,000	7,000,000	-	1,431,700	31,531,700
1999-00	42,200,000	22,224,400	-	409,800	64,834,200
2000-01	-	-	133,000,000	14,973,200	147,973,200
2001-02	30,100,000	-	-	-	30,100,000
2002-03	38,398,100	-	-	-	38,398,100
Total	**$ 149,798,100**	**$ 58,682,200**	**$ 133,000,000**	**$ 16,814,700**	**$ 358,295,000**

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF PUBLIC FINANCE

MEMORANDUM

TO: DEBRA NEWMAN

FROM: SARAH HOLLENBECK

RE: MOSCONE CENTER EXPANSION PROJECT FINANCING

DATE: SEPTEMBER 28, 2000

Per your request, below is an explanation of the variable rate structure that we have proposed for the issuance of the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2000 (Moscone Center Expansion Project) as well as a discussion of the advantages, disadvantages, and mitigations of risks associated with variable rate debt.

Proposed Bond Structure

We are proposing that the City, though the City and County of San Francisco Finance Corporation, issue the lease revenue bonds for Moscone West under a multi-modal structure, meaning that the documentation allows for bonds to be marketed in a variety of short-term interest rate modes or as fixed rate bonds. At present, we expect the bonds will be initially issued in a weekly interest rate mode. The purpose of this memo is to provide you with some background information regarding variable rate bonds, specifically in the weekly mode, and to explain why we believe a variable rate structure is appropriate and advantageous for this financing.

What are Variable Rate Bonds?

The fundamental difference between fixed and variable rate bonds is when and how the interest rate paid on the bonds is determined. In either case, the bonds are issued with a given final maturity, frequently 20 to 30 years in the case of lease revenue bonds. In other words, in each instance the debt is long term debt. With fixed-rate bonds, the interest rate on the bonds is determined for the life of the issue at the time the bonds are sold. In the case of variable rate bonds, while still 30 year bonds, for example, the interest rate paid with respect to the bonds is reset at a given interval, such as every week or every day. Investors who purchase these bonds have the option to "put" their bonds back each time the interest rate is reset. When this occurs, a remarketing agent "remarkets" those bonds to other investors, adjusting the rate if necessary to attract buyers.

Advantages of Variable Rate Debt

The primary advantage of issuing debt in a variable mode is to take advantage of the relatively lower short term interests rates. A historical comparison of two national indices, one representing interest rates on long term debt (the Revenue Bond Index or "RBI") and the other representing rates on weekly variable rate debt (the Bond Market Association Index or "BMA"[1]), shows that over the last five years weekly rates

[1] The Bond Market Association (BMA) is an international trade association of banks and broker/dealers in U.S. securities including municipal securities. The BMA Municipal Swap Index, conceived in 1989, is comprised of a broad list of short-term municipal securities across the nation. At any given time, it represents an average of approximately 250 separate tax-exempt variable rate demand notes (VRDNs)

have averaged 3.54% versus 5.77% for long term rates. Over a ten year period the averages have been 3.51% and 6.19%, respectively. While short term rates are not always lower than long term rates, they have historically been significantly lower most of the time, and many issuers choose to issue debt in a variable mode as a way to minimize their long term cost of borrowing. In the context of the Moscone project, which will be a general fund lease obligation, a lower cost of borrowing means less debt service to be paid from the general fund.

Variable rate debt offers several other advantages in the context of the Moscone financing. A variable rate structure enables the City to maximize the proceeds of the $157.5 million in bonds that will be available for construction. One reason for this is that unlike fixed rate lease revenue bonds, the market does not always require a reserve fund under a variable rate structure. Instead, the bonds would be secured by bond insurance and the City would have a liquidity provider in place to ensure there would be a purchaser of the bonds in the event a significant amount of bonds were put and the remarketing agent were unable to place them with investors. The ability to issue these bonds without a cash reserve fund increases the proceeds available for construction by roughly $10 million.

Also, as you know, in a lease transaction where the City does not have use of the subject asset until the completion of construction, the City borrows, or capitalizes, the interest due to the bondholders during that period. In the case of Moscone West, interest will be capitalized for 33 months. Because in a variable mode we can anticipate paying a lower rate of interest than with long term fixed rate debt, the amount of interest that must be capitalized is lower. A fairly conservative method of sizing of the capitalized interest needed to pay 33 months of interest on the bonds is to base the assumed interest rate on a 150% of the two-year historical BMA average. This translates to a rate of approximately 5%, as opposed to the estimated 5.45% we would expect to pay on fixed rate debt.

The table on the following page provides a comparison of the expected sources and uses of funds in a variable versus a fixed rate issue for the Moscone project.

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nationwide and is based off of Municipal Market Data's tracking of over 10,000 VRDNs. The BMA resets every Thursday.

Moscone Center Expansion Project
Comparison of Financing Alternatives

	Fixed Rate		Variable Rate		Difference	
Par Amount	$	157,500,000	$	157,500,000	$	-
Project Fund Deposit	$	129,978,205	$	133,227,110	$	3,248,905
Capitalized Interest Fund Deposit		23,605,313		21,742,875		(1,862,438)
Reserve Fund Surety Premium		300,848		-		(300,848)
Underwriter's Discount		1,575,000		263,994		(1,311,006)
Liquidity & Remarketing Fees		-		297,476		
Costs of Issuance		2,040,634		1,968,545		(72,089)
Total	$	157,500,000	$	157,500,000	$	-
Average Annual Debt Service[1]	$	11,140,432	$	9,682,511	$	(1,457,921)

[1] After capitalized interest period

As you can see, the variable rate scenario produces approximately $3.2 million in additional proceeds for construction of the project and requires approximately $1.8 million less in capitalized interest. Debt service payments after the capitalized interest period are expected to be $1.45 million lower than fixed rate, assuming an average variable rate of 3.91%, which represents the BMA average from 1990 to 2000 adjusted for certain ongoing fees (remarketing and liquidity fees) in connection with the variable rate issue. The value of a $1.45 million annual debt service savings would be approximately $50 million gross value and $26 million present value (2000 dollars) over the 30 year life of the issue.

In addition to a lower initial deposit to the capitalized interest fund with variable rate debt, as noted above the sizing of the fund is based on what we believe to be a conservative assumption of 5% and we expect the City will in fact pay less than the assumed rate over the 33 months of construction. To the extent this is the case, the City has the ability to utilize excess proceeds in the capitalized interest fund for construction. If the City pays an average interest rate of approximately 4% rather than 5% on the bonds during construction, roughly an additional $3.5 million of proceeds (exclusive of interest earnings) would be available to fund project costs.

Disadvantages of Variable Rate Debt

While variable rate debt clearly offers a number of potential advantages over fixed rate debt, it has disadvantages as well. Significant among them is the fact that while short term rates have historically been lower than long term rates, there is no guarantee that they will be lower than either 1) long term rates in the future, or 2) the long term rates we could lock in today if we were to issue the Moscone bonds on a fixed rate basis.

The Mayor's Office of Public Finance does not represent that historical rates are a reliable predictor of future rates. Historical rates can only provide a context for evaluating interest rate risk. In the last ten years there has been only one year during which short term rates, as represented by the BMA index, were higher on average than the estimated long term rate at which we would anticipate issuing fixed rate bonds for the Moscone project. For purposes of this analysis we have assumed the fixed rate bonds would be issued at a rate of 5.45%. The table on the following page shows average weekly variable rates over the last ten years as compared with today's estimated fixed rates.

Comparison of BMA Average vs. Current Fixed Rates

Year	BMA Average	Spread to Current Fixed Rate of 5.45%
1990	5.91%	0.46%
1991	4.37%	-1.08%
1992	2.78%	-2.67%
1993	2.38%	-3.07%
1994	2.85%	-2.60%
1995	3.85%	-1.60%
1996	3.43%	-2.02%
1997	3.66%	-1.79%
1998	3.43%	-2.02%
1999	3.27%	-2.18%
2000*	4.01%	-1.44%

* Data through 9/13/00

Another consideration with respect to variable rate debt, which is suggested by the data above, is interest rate volatility. Rates on bonds in a weekly interest rate mode can swing significantly from week to week. There are certain periods each year, such as quarter ends and tax time, when rates traditionally do spike up, but spikes up or down may occur at other times also in response to supply/demand imbalances in the market or a variety of other factors. With a variable rate program, an issuer cannot be certain of its annual debt service obligations in advance. This presents a challenge in terms of budgeting for such debt service. A variable rate issuer must have an ability and willingness to tolerate some degree of volatility in its debt portfolio.

Other factors to consider in the variable rate context include remarketing risk, renewal risk associated with the liquidity facility, and credit risk associated with the credit enhancement providers (the bond insurer and liquidity provider). Remarketing risk refers to the risk that the agent or agents who are responsible for placing the bonds with investors on an ongoing basis will be unable to find buyers for the bonds. Renewal risk relates to the fact that liquidity facilities or lines of credit generally carry a term shorter than the term of the bonds. Commonly they are available for a maximum term of five years. At the time the facility must be replaced there may be no providers willing to offer a facility for the bonds or the cost of the facility may have increased significantly. Credit risk in the variable rate context has to do with the fact that short term debt trades primarily based on the ratings of the insurer and liquidity provider, particularly the short term ratings of the liquidity provider. Such debt is therefore subject to risk that the insurer or liquidity provider could be downgraded. Were that to occur, the rates at which the bonds could be remarketed would likely increase, reflecting the diminished credit quality of the credit enhancement or liquidity provider.

Mitigation of Risks Associated with Variable Rate Debt

We believe the risks associated with variable rate debt can be mitigated sufficiently for the City to be comfortable assuming the relatively limited amount of variable rate exposure represented by the proposed Moscone financing.

In regard to the issue of interest rate volatility with variable rate debt, the Moscone financing lends itself to a variable rate structure given that the budgetary source of revenue for the payment of debt service on these bonds is the 2% Hotel Tax increase passed in 1996, which itself is a variable revenue stream. While the rates on the bonds will be floating up and down with market fluctuations, the hotel tax revenues will also be fluctuating both in amount received and in terms of rate of return generated once they are invested in the City treasury. Additionally, we would propose that the City budget the debt service on these bonds using a conservative estimate such as that used to size the capitalized interest fund, i.e., a rolling historical average plus a comfortable margin of error, to mitigate the possibility that the City would ever appropriate insufficient debt service to cover the actual liability with respect to these bonds.

Liquidity facility renewal risk is mitigated by the fact that our agreement with our liquidity bank provides what is known as an "evergreen" provision under which the City can request annually an extension of the facility for a term of not less than one year. It is unlikely, therefore, that the City would find itself near the end of the term of its facility without a 12-month period in which to seek a different bank or change interest rate modes.

With regard to credit risk in respect of variable rate bonds, we have selected a bond insurer which carries a AAA-rating and a liquidity bank which carries AA long-term ratings and the highest short term ratings by all three of the major rating agencies. In addition, the City will have the ability to replace the liquidity bank at any time, so that if its ratings were downgraded we could seek an alternate bank.

Remarketing risk is mitigated in a variety of ways. First, our agreement with our remarketing agents is unique in that it requires them to hold, or "warehouse," our bonds for up to 30 days if they are unable to place them with investors. This provides them with incentive to place the bonds and also protects us from having to draw on our liquidity facility. Secondly, the purpose of the liquidity facility is to ensure that in the event of a failed remarketing, the liquidity bank will be in place to purchase the bonds and hold them until they can be remarketed. It is very rare that a liquidity facility is ever drawn upon. A failed remarketing of the bonds is likely only to occur in the event of a major disruption in the financial markets. Even in the case of Orange County's bankruptcy, the remarketing agents either placed the county's variable rate bonds with new or existing investors or held them in inventory (as a warehouse) until investors were again willing to purchase them. (We don't expect the City to present our remarketing agents with such a challenging situation!)

Other California Issuers of Variable Rate Debt

Many other municipalities in California issues some portion of their debt as variable rate and the rating agencies have indicated that they are comfortable with issuers holding up to 20% of their portfolio in a variable mode. Other California issuers of variable rate debt include:

- State of California
- San Diego County
- Los Angeles County
- City of Los Angeles
- City of San Diego
- City of San Jose

I hope this information is helpful to you. I look forward to discussing this project with you and will be happy to answer questions regarding the bonds, debt structure, or other matters at your convenience. I can be reached at 554-6240.

Item 9 - File 00-1531

Department: Port

Item: Resolution approving Lease with Rincon Park Restaurants, LLC, and the City and County of San Francisco, operating by and through the San Francisco Port Commission, for the development of the Rincon Park restaurant site.

Location: Rincon Park on The Embarcadero, between Folsom Street and Harrison Street

Purpose of Lease: Ground Lease for 20,000 square feet of Port-owned property. The Port has entered into a Development Agreement with Rincon Park Restaurants, LLC, for the construction and operation of a two-building development consisting of two restaurants and a central outdoor dining and circulation space on the subject property. All construction costs would be the responsibility of the tenant, subject to the rent credit provisions described below. The Ground Lease would cover the subject property and the tenant improvements.

Description: Charter Section 9.118 requires that the Board of Supervisors approve non-maritime leases of real property or contracts and agreements entered into by a City Department extending for a period of ten years or more. The proposed resolution would approve a Lease of up to 50 years between the Port and Rincon Park Restaurants, LLC (see below). The Port proposes to enter into a Development Agreement with Rincon Park Restaurants for the construction of two restaurants, totaling 12,000 square feet of ground floor space, plus an outdoor eating area, totaling 8,000 square feet of space, in the Rincon Park, located on The Embarcadero near Folsom Street. According to the Port, one of the two proposed restaurants would be an Italian restaurant and the other restaurant would be a French restaurant. The Development Agreement between the Port and Rincon Park Restaurants identifies the scope of the development project and includes a schedule of performance, indemnification requirements, and other issues related to the construction phase of the project. Rincon Park Restaurants would be responsible for all construction costs less any rent credits granted by the Port under the terms of the Ground Lease.

Actual construction of the two restaurants is scheduled to begin in September of 2001, after the Port has approved the financing, design, and construction plans submitted by the developer[1]. The Port expects that the project will be completed in August of 2002. The Development Agreement expires upon the completion of the construction project.

The Ground Lease Agreement would be subject to the provisions of the Development Agreement until the completion of the project, scheduled for August of 2002. The proposed Ground Lease establishes the terms and uses for the Rincon Park Restaurants and identifies the specific compensation and other requirements for the parties to the Lease. The Ground Lease would commence after the Port issues to the tenant the Certificate of Completion of the construction project, or earlier, if the Port issues a temporary certificate of occupancy, as noted previously and could extend for a period of 50 years. Section 3 of the State's Burton Act authorizes the Port Commission to enter into leases with terms not exceeding 66 years (see Comment 13), and the proposed resolution states that the Ground Lease is for a term not exceeding 66 years. Under the terms of the Ground Lease, the subject property plus improvements would revert to the Port after 50 years without further compensation to the tenant. Therefore, the subject resolution should be amended to approve a lease not exceeding 50 years.

Under the proposed Ground Lease, the tenant would be responsible for all of the costs required for managing, improving, operating, maintaining, and repairing the subject property. The Ground Lease provides that the tenant must maintain and repair the property, at its own cost, in "first-class" condition and must make all repairs promptly. The Port would continue to own the property and at the conclusion of the 50-year Ground Lease, the responsibility for the management, operation and maintenance of the property and all improvements would revert back to the Port.

[1] Under the Development Agreement and the Ground Lease, the developer and the tenant are the same entity (Rincon Park Restaurants, LLC).

In January of 1981, the Board of Supervisors and the Redevelopment Agency adopted the Rincon Point - South Beach Redevelopment Plan, to develop a park along the Embarcadero between Howard and Harrison Streets which would include 12,000 square feet of restaurant space. In January of 1995, the Redevelopment Agency issued a variance to the Redevelopment Plan to increase the proposed restaurant space from 12,000 square feet to 20,000 square feet. In June of 1995, the Port Commission entered into an Agreement to Lease with the Redevelopment Agency for Rincon Park. The Port reserved the restaurant site from the Agreement to Lease, and agreed that no more than 12,000 square feet of the 20,000 square feet of space reserved for the restaurant would consist of the restaurant building, and the additional 8,000 square feet of space would be used for an outdoor dining area and restaurant-related uses.

The Port issued a Request for Proposal (RFP) in July of 1998 for the opportunity to develop a restaurant in Rincon Park. The Port selected Nice Ventures, Inc., based on their experience, concept and design for the restaurants, financial plan, and higher rent revenue to the Port over the long-term of the Lease, and in March of 1999 the Port entered into an "exclusive right to negotiate agreement" with Nice Ventures. The attached memorandum (Attachment I), provided by the Port, explains the Port's evaluation of the two respondents to the RFP and the reasons for selecting Nice Ventures. During the exclusive right to negotiate period, the Port and Nice Ventures negotiated the proposed Development Agreement and the Ground Lease, and developed the standards and requirements of the restaurant project, including the performance schedule. Nice Ventures, Inc refined the design concept and scope of the project, and formed a limited liability company, the Rincon Park Restaurants, LLC, to pursue the restaurant project. On July 25, 2000, the Port Commission approved the modifications and clarifications of the Waterfront Plan's Design and Access Element in regard to the Rincon Park Restaurants project, and approved the form and substance of the Development Agreement and the Ground Lease (Resolution 00-60).

Approval of the proposed resolution would approve the Ground Lease and the Development Agreement, to the

extent that the Development Agreement is incorporated or referenced in the Ground Lease. The Development Agreement is not subject to Board of Supervisors approval because it is for a term of less than 10 years, and does not anticipate that the Port will receive in excess of $1,000,000 in revenues.

Lessor: Port of San Francisco

Lessee: Rincon Park Restaurants, LLC

No. of Sq. Ft.: 20,000 square feet site area, which includes 12,000 square feet of ground floor restaurant space in two buildings and 8,000 square feet of outdoor dining space

Development Agreement: The proposed Ground Lease describes the rights and obligations of the Port and the tenant during the Term of the Lease. The Ground Lease would be subject to the provisions of the Development Agreement until the completion of the construction project, with a target completion date of August 15, 2002, a period of approximately 22 months.

Ground Lease: An initial term of 25 years with five successive five-year options to extend, totaling 25 years, for a potential maximum term of 50 years, as follows:

- The initial Term of Lease is 25 years from the date of the Certificate of Completion of the construction project, with a target date of August 15, 2002. The Ground Lease would commence earlier if the Port grants to the tenant a temporary certificate of occupancy, that permits the tenant to occupy the buildings for the purpose of training employees and preparing for the restaurants' openings. The initial Ground Lease would extend from Year 1 through Year 25.
- At the expiration of the initial Ground Lease after Year 25, the tenant would have the option to extend the term of the Lease under the First Tier Options to Extend for three successive periods of five years each, for a total of 15 years. The First Tier Options to Extend would extend from Year 26 through Year 40.
- After the expiration of the First Tier Options to Extend after Year 40, the tenant would have the option to

extend the term of the Lease under the Second Tier Options to Extend for two successive periods of five years each, for a total of 10 years. The Second Tier Options to Extend would extend from Year 41 through Year 50.

- In summary, if all options were exercised, the lease would have a total term of 50 years.

Development Agreement Fee: Rincon Park Restaurants would pay $5,000 per month to the Port under the Development Agreement for the period from the effective date of the Agreement until the close of escrow in approximately July, 2001, a period of nine months, for a total fee of $45,000. The close of escrow would be the date by which the tenant had obtained the necessary financing, insurance, and construction documents for the construction project, subject to Port approval. At the close of escrow, the Port would deliver the site to the tenant.

Construction Period Rent: The construction period would begin at the close of escrow and upon delivery of the site by the Port to the tenant in approximately July, 2001. During the period of construction, from approximately July, 2001 through the targeted completion date in August, 2002, a period of 13 months, the tenant would pay $5,000 per month in construction period rent to the Port, for a total construction period rent of $65,000. The total rent paid by the tenant to the Port during the escrow and construction period, including the development agreement fee ($45,000) and the construction period rent ($65,000), would be $110,000.

Annual Minimum Rent: The tenant would begin to pay minimum rent to the Port when the construction project is completed and the Port issues a Certificate of Completion to the tenant, or earlier, if the Port issues to the tenant a temporary Certificate of Occupancy prior to the completion of the construction project. The annual minimum rent would be $200,000, payable in equal monthly installments of $16,667.

The tenant would be required to pay the greater amount of either the minimum rent or the percentage rent as described below.

Percentage Rent: The percentage rent for the Ground Lease would be equal to 3 percent of monthly gross receipts. For example, if monthly gross receipts were equal to $1,000,000, monthly percentage rent payable would equal $30,000 (3 percent of $1,000,000), which would be $13,333 greater than the $16,667 minimum rent. Gross receipts are defined as all receipts from sales and business transacted in the two restaurants, including receipts from catering services.

Adjustments to Annual Minimum Rent: During the initial 25-year term, the minimum rent is adjusted upward by 3.33 percent each year on the anniversary date of the annual minimum rent commencement date.

Adjustments to Minimum and Percentage Rent if Lease is Extended: In Year 26, if the tenant exercises the option to extend the lease under the First Tier Options to Extend provision, then both the minimum annual rent and the percentage rent would be adjusted to the fair market rental for a ground lease of unimproved land at the time that the lease is extended. Fair market rent would be based on the prevailing ground lease rents by public and private landlords for comparable properties.

In Year 41, if the tenant exercises the option to extend under the Second Tier Options to Extend provision, then the minimum annual rent and percentage rent would be adjusted to the fair market rental of the ground lease and for the improvements in their "as-is" condition. Fair market rent would be based on prevailing rents by public and private landlords for comparable single-tenant retail commercial leases.

The First Tier Options to Extend is for three successive periods of five years, totaling 15 years, from Year 26 through Year 40. As noted above, if the tenant exercises the option to extend under the First Tier Options to Extend, the rental rate would be increased to fair market value for comparable unimproved land in Year 26 (see Comment 7). Under the First Tier Options to Extend, from

Year 27 through Year 40, the minimum annual rent would be increased annually from the fair market value rate that was applied in Year 26. The minimum annual rent would be increased by the percentage increase in the Consumer Price Index (CPI), but no more than 3.33 percent.

The Second Tier Options to Extend is for two successive periods of five years, totaling 10 years. As noted above, if the tenant exercises the option to extend under the Second Tier Options to Extend, the rental rate would be increased in Year 41 to the fair market value for comparable unimproved land plus the tenant structures (see Comment 7). Under the Second Tier Options to Extend, from Year 42 through Year 50, the minimum annual rent would be increased annually from the fair market value rate that was applied in Year 41. The minimum annual rent would be increased by the percentage increase in the CPI but no more than 3.33 percent.

Rent Credits: Under the Ground Lease, the Port would grant rent credits to the tenant, for a total amount not to exceed $759,000, for costs incurred by the tenant for development of the site as follows:

(a) Investigating and remediating hazardous materials on the site for an amount not to exceed $250,000;
(b) Obtaining an engineering report on the geotechnical surface and subsurface conditions of the proposed property for an amount not to exceed $20,000;
(c) Installing pilings for the foundation of the building project, if necessary, for an amount not to exceed $369,000; and
(d) If necessary, grading to the elevations and installing utilities hook-ups, consistent with certain Waterfront Transportation Project drawings, removing an abandoned water main line, and installing limited parking or loading curb designations, for an amount not to exceed $120,000.

Under the terms of the Lease, the tenant may earn rent credits at the rate of 50 percent of the total percentage rent, but, as noted in the sample below, the rent credits are only applied to the amount of rent exceeding the $200,000 minimum rent. The table below provides an example of the application of the rent credit.

Total annual percentage rent (3 percent of gross receipts)	$500,000	
Less minimum annual rent	200,000	
Total percentage annual rent in excess of Minimum rent		300,000
Less the rent credit (50 percent of total Percentage rent of $500,000)		250,000
Percentage rent owed in excess of Minimum rent and rent credit		$50,000

Using the example shown above, total rent owed, after the rent credit was applied, would be $250,000, which would include the $200,000 minimum annual rent plus $50,000 in percentage rent in excess of the minimum rent and the rent credit.

Under the proposed agreement, if total rent credits are greater than the amount of percentage rent, including minimum rent, owed by the tenant to the Port, then the rent credit balance would be carried over to the following year. For instance, if the total percentage rent were equal to $350,000, then the rent credit could not exceed $175,000 (50 percent of $350,000). However, the amount of percentage rent owed which exceeds minimum rent of $200,000 would be $150,000 ($350,000 percentage rent less $200,000 minimum rent), which is $25,000 less than the rent credit of $175,000. Therefore, a rent credit balance of $25,000 would be carried over into the next year.

Rent credits, in addition to the rent credits noted above for the development of the site, may be granted by the Port under certain circumstances. The tenant would receive a rent credit, as follows:

(a) if the Port's use of the subject property causes damage to the site, for an amount equal to the actual damage;
(b) if an audit conducted by a City or Port auditor reveals that the tenant has overstated gross sales and has

overpaid the percentage rent to the Port, for an amount equal to the overpayment;

(c) if the tenant has to obtain an appropriate bond to remove any title defect caused by the Port[2], for an amount equal to the bond;

(d) if an action of the Port causes a delay in the tenant's construction project of greater than 15 days, for an amount equal to the development agreement fee for that month; or

(e) if the Port should fail to perform or comply with its obligations under terms of the Lease, causing damage to the tenant. Examples of such failure to perform or comply with the Port's obligations include the Port's unreasonable withholding of consent to any subsequent construction on the property which conforms to the Lease. The rent credit would be equal to the amount of the actual damages.

Comments:

1. The Budget Analyst notes that the Ground Lease provides for rent credits up to $759,000, and therefore, the projected annual rents would most likely be less than those provided by the Port, depending upon the actual amount of the rent credits granted by the Port to the tenant. Ms. Kari Kilstrom of the Port states that the rent credits would most likely be applied to the rent in the first two to three years of the Ground Lease.

2. According to Ms. Kilstrom, the Port estimates total percentage rent of $500,000 per year, increasing to approximately $900,000 per year over the next 20 years based upon the developer's revenue projections for the two restaurants. Ms. Kilstrom estimates that the average annual rental payments to the Port net of the rent credits would be approximately $700,000, and the total rent to the Port over the 25-year term of the initial Ground Lease net of the rent credits would be $17,500,000. Ms. Kilstrom states that the Port is unable to estimate rental payments beyond the initial 25-year term of the lease because the rent will be re-appraised to fair market value at that time.

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[2] A title defect would include the possession or right of possession to the property by parties other than the Port or the tenant, or a lien against the property.

3. Ms. Kilstrom reports that the Port's analysis of restaurant revenues for comparable restaurants (Attachment II) is consistent with the developer's revenue projections. As shown in Attachment II, anticipated restaurant revenues in the first year of operation would be $15,534,000, which would result in annual percentage rent of $466,020 (three percent times $15,534,000).

4. Ms. Kilstrom states that the developer of the Rincon Park Restaurants project must satisfy certain conditions stated in the Development Agreement prior to the execution of the Ground Lease, which includes: (a) approval by the Port of all construction documents and issuance of a building permit; (b) obtaining all regulatory approvals for the project; (c) approval by the Port of the developer's budget, financing plan, and completion guaranty to the extent such guaranty is required by the lender; (d) approval by the Port of the construction contract between the developer and the contractor; (e) vacation of certain City streets; (f) evidence of compliance with certain City ordinances, including diversity, non-discrimination, and card check; and (g) ability of the Port to deliver possession and rights to the Restaurant site free of occupancy by others. According to Ms. Kilstrom, the proposed Rincon Park Restaurants project is part of the Embarcadero Roadway project, which is managed by the Department of Public Works (DPW). Ms. Kilstrom states that DPW will submit legislation to the Board of Supervisors for vacation of City streets for the project.

5. According to Ms. Kilstrom, the proposed rent represents fair market value. Ms. Kilstrom states that fair market value is based upon an appraisal of the subject site performed by Clifford Associates in July of 1998 and updated in June of 2000.

6. Ms. Kilstrom states that the Port is entering into a 50-year lease with Rincon Park Restaurants (25-year initial Ground Lease plus options to extend, totaling 25 years) because (a) the Rincon Park Restaurants have requested a 50-year lease in order to obtain financing and (b) the standard lease for comparable developments, including extensions, is 50 years. Ms. Kilstrom reports that the construction project is expected to cost from approximately

$8,000,000 to $10,000,000, to be paid fully by Rincon Park Restaurants.

7. As noted above, if the tenant exercises the First Tier Options to Extend, which extends from Year 26 through Year 40, the rent shall be adjusted in Year 26 to fair market value for unimproved land. If the Port and tenant are not able to agree on the fair market value, then fair market value will be determined by impartial appraisers. If the tenant exercises the Second Tier Options to Extend, which extends from Year 41 through Year 50, the rent shall be adjusted in Year 41 to fair market value in the same manner as for the First Tier Options to Extend, except that the fair market value shall be determined for both the land and the improvements in their "as-is" condition. According to Ms. Kilstrom, the fair market value will be based upon both the land and the improvements under the Second Tier Options to Extend in Year 41, because the tenant improvements will be fully depreciated after 40 years, based upon standard accounting practices.

8. Under the terms of the Ground Lease, the tenant would be required to pay possessory interest taxes upon the subject property. The Port estimates that such taxes would provide approximately $105,000 annually in tax revenue to the City General Fund.

9. The proposed Lease can be assigned by the existing tenant to a new tenant, with the consent of the Port. The new tenant would assume all the obligations of the existing tenant under the Lease, and the existing tenant would reimburse the Port for any legal expenses for the review of the assignment of the Lease to a new tenant. Additionally, the tenant may enter into subleases for the use of the property, subject to the Port's consent. The tenant would be required to assign sublease rents to the Port.

10. Under the terms of the Lease, the improvements to the subject property would revert to the Port at the expiration of the Lease. During the term of the Lease, the tenant would be required to maintain and repair the subject property, including the improvements, at no cost to the Port.

11. Any tenants or subtenants on the subject Port property would be required to pay prevailing wages to their employees, under the City's existing prevailing wage ordinance.

12. The proposed project does not provide for parking. According to Ms. Kilstrom, the site is subject to the Rincon Point – South Beach Redevelopment Plan, which does not require off-street parking for restaurants. Ms. Kilstrom states that the proposed restaurant site is serviced by Muni's N-Judah streetcar line within The Embarcadero roadway.

13. As noted previously, the proposed resolution states that the Ground Lease is for a term not exceeding 66 years. Under the terms of the Ground Lease, the subject property plus improvements would revert to the Port after 50 years without further compensation to the tenant. Therefore, the Budget Analyst recommends that the subject resolution be amended to approve a Ground Lease not exceeding 50 years.

Recommendations:

1. Amend the proposed resolution to provide for a Ground Lease for a term not exceeding 50 years, instead of not to exceed 66 years.

2. Approve the resolution as amended.

PORT OF SAN FRANCISCO

MEMORANDUM

TO: Severin Campbell
Budget Analyst

FROM: Kari Kilstrom
Project Coordinator

DATE: September 28, 2000

RE: **Rincon Park Restaurants**

On September 27, 2000 you asked for a memorandum from the Port describing the selection of Nice Ventures, Inc. through the Request for Proposals ("RFP") process including information about the two economic proposals and the consideration of economic return in the overall evaluation process.

The Port's RFP issued in July 1998 indicated that the Port would select a Respondent that has the demonstrated ability to meet the project objectives (attached) and described eight (8) selection criteria used to evaluate the proposals. The RFP did not assign specific weights or points to any of the criteria. The RFP required a monthly Base Rent of at least $16,250 and Percentage Rent of at least three (3) percent based upon an appraisal of the fair market rental value of the proposed Restaurant Development Site prepared by Clifford Associates in July 1998 and provided to you earlier this month. The higher of the Base Rent or the Percentage Rent would be payable to the Port.

The Port received proposals from Nice Ventures and from Phoenix Group. Port staff evaluated the two proposals using the selection criteria and summarized its evaluation in a memo to the Port Commission dated November 4, 1998 (attached) and concluded with a recommendation that the Port enter into exclusive negotiations with Nice Ventures. The Port found that the Nice Ventures proposal (including the design and development team, the restaurant operator, the restaurant concept and financial plan) surpassed the Phoenix Group proposal in responding to the selection criteria set forth in the RFP. Of particular note, the Nice Ventures proposal:

- Demonstrated clearer lines of authority and assignment of responsibilities
- Identified more readily available team members
- More effectively demonstrated experience with and success of similar ventures
- Demonstrated successful and established relationships with restaurant operators
- Exhibited greater ability to implement development quickly and effectively
- Demonstrated a more unique restaurant concept and better compatibility with the

neighborhood and Park

- Included a superior conceptual design that best relates to the Park and the waterfront setting and encouraged freedom of movement between the restaurant and the Park
- Demonstrated a greater ability to raise and commit capital for construction and operations of restaurant ventures
- Was expected to achieve a higher overall return to the Port

Both proposals projected average sales of approximately $20,000 per seat annually, however Nice Ventures' proposal included more indoor and outdoor seating and therefore projected gross sales at stabilization of $19.4 million as compared to the Phoenix Group projection of $9.8 million. Because the economic return to the Port is based in part upon a percentage of gross sales, Nice Ventures proposal was expected to achieve a higher overall return to the Port.

Phoenix Group's proposal included a Percentage Rent rate of 3% which would yield an estimated $294,000 per year (based upon projected gross revenues of $9.8 million) in rent to the Port. No rent credits were proposed. Nice Ventures' proposal included a Percentage Rent rate of 6.25% accompanied by a Rent Credit of $654,276 per year for 25 years, which would yield an estimated $558,224 per year in rent to the Port ($1,212,500 Percentage Rent less $654,276 Rent Credit). As you know, the final business terms with Nice Ventures were negotiated to provide the Port with the appraised fair-market Ground Lease Percentage Rent rate of 3% which yields an estimated $582,000 per year (based upon projected gross revenues of $19.4 million) in rent to the Port. Rent credits are permitted for specific construction cost items only, not to exceed $759,000 in total for the life of the project.

While economic return is important, it is only one of a number of other criteria that assess the developer's ability to successfully deliver and operate the project consistent with stated Port objectives. Another important consideration in the selection of Nice Ventures is that it is a locally owned business. Nice Ventures Inc. former and current restaurants include Restaurant Lulu, Café Marimba, Rose Pistola, Rose's Café and Black Cat.

After considering the proposals and the staff analysis, the Port Commission approved the Exclusive Right to Negotiate Agreement with Nice Ventures on November 10, 1998.

Please call me if you have any questions.

cc/ Veronica Sanchez
Anne Cook
Stephanie Downs
Dianne Millner

EXHIBIT A

	PHOENIX	NICE VENTURES, INC.
Projected Sales (stabilized Operation)	$9.8 million	$19.4 million **
Number of Seats	490 Indoor 370 Outdoor 120	1,000 Indoor 400 Outdoor 600
Square Feet	12,000	20,000*
Average Sales/Seat	$20,000	$19,400
Average Sales/Sq.Ft.	$816	$970

*Includes outdoor seating in the square footage

** The projected sales presented by Nice Ventures, Inc. was $19.4 million. The Port projected sales of approximately $15.5 million, as shown in Attachment II.

Attachment II

PORT OF SAN FRANCISCO RESTAURANT ANALYSIS

Most recent 12 months actual sales revenues

Restaurants indicated by "X" are considered comparable to the proposed Rincon Restaurant

Port Restaurants	Sales 4/99-3/00	Sq Ft	Sales / SqFt	*Comparable*	Sales	Sq Ft	Sales / SqFt
Gabbiano's	2,728,334	34,659	78.72				
Fog City Diner	3,833,893	7,627	502.67	x	3,833,893	7,627	502.67
Boondock's	237,762	2,225	106.86				
Bo's Bounty	117,965	6,506	18.13				
Jolly's	399,301	2,287	174.60				
Kelly's Mission	1,617,687	10,000	161.77				
Pier 23 Café	2,345,950	4,835	485.20				
Red's Java House	175,606	772	227.47				
Sinbad's'	1,744,482	6,000	290.75				
Waterfront	6,869,915	12,818	535.96	x	6,869,915	12,818	535.96
Alioto's	8,005,640	12,271	652.40	x	8,005,640	12,271	652.40
Castagnola's	2,957,384	15,990	184.95				
Fisherman's Grotto	7,064,978	25,414	278.00				
Francheschi's	1,017,362	3,607	282.05				
Franciscan	5,158,604	12,143	424.82	x	5,158,604	12,143	424.82
Nick's Lighthouse	3,818,224	1,653	2,309.88	x	3,818,224	1,653	2,309.88
Pompei's Grotto	2,635,912	4,140	636.69	x	2,635,912	4,140	636.69
Sabella & LaTorre	3,964,514	1,906	2,080.02	x	3,964,514	1,906	2,080.02
Scoma's	13,621,612	15,354	887.17	x	13,621,612	15,354	887.17
SFO Forecast	2,986,966	7,430	402.01				
Tarantino's	2,582,819	7,153	361.08				
Averages	3,518,328	9,276	379.31		5,988,539	8,489	705.45

Rincon Restaurant	Year 1		
Provencal	8,380,800	11,900	704.27
Southern Italian	5,713,200	11,500	496.80
	14,094,000	23,400	602.31
Park Catering/Carts	1,440,000		
	15,534,000		663.85

Post-it® Fax Note 7671	Date	# of pages
To Severin Campbell	From S. Downs	
Co./Dept.	Co.	
Phone #	Phone # 274-0412	
Fax # 252-0461	Fax # 274-0630	

'Restaurant Income Spreadsheet 3 June 12, PortComps

Items 10 and 13 - Files 00-1611 and 001614

Departments: Mayor's Office of Public Finance
California Academy of Sciences

Items: Item 10, File 00-1611

Resolution providing for the issuance of not to exceed $87,445,000 aggregate principal amount of General Obligation Bonds (California Academy of Sciences Improvement Bonds, 2000); authorizing the execution, authentication and registration of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the sale and delivery of said bonds.

Item 13, File 00-1614

Resolution authorizing and directing the sale of not to exceed $15,095,000 in General Obligation Bonds (California Academy of Sciences Improvement Bonds, 2000), Series 2000G; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the sale and delivery of said bonds.

Amount:

Description	Amount
Item 10, File 00-1611 Authorization for the Issuance of California Academy of Sciences Improvement Bonds	$87,445,000
Item 13, File 00-0614 Authorization for the Sale of the Initial Series of the above California Academy of Sciences Improvement Bonds, Series 2000G	$15,095,000

Description:

On March 7, 2000, San Francisco voters approved Proposition B, which authorized the City to issue up to $87,445,000 in general obligation bonds, known as the California Academy of Sciences Improvement Bonds, to finance capital improvements to the California Academy of Sciences (the "Academy"), located in Golden Gate Park.

Item 10, File 00-1611, would establish the general terms and procedures for the issuance of the $87,445,000 in California Academy of Sciences Improvement Bonds. Item 13, File 00-1614, would provide specific approval to sell the initial series (Series 2000G) of the subject bonds, in an aggregate principal amount of up to $15,095,000.

Item 10, File 00-1611

The proposed resolution would authorize the issuance of an aggregate principal amount not to exceed $87,445,000 of California Academy of Sciences Improvement Bonds, 2000 to finance capital improvements to the Academy.

General provisions regarding the proposed issuance of the California Academy of Sciences Improvement Bonds are as follows:

- The bonds shall be divided into series, as authorized by the Board of Supervisors.
- An initial series of Bonds in the aggregate principal amount of up to $15,095,000 (Series 2000G) would be created and established (see below, Item 13, File 00-1614, for the specific provisions of the said series).

- Property taxes collected to redeem the bonds would be deposited in a special funds account, which would be created specifically for this purpose.

- The proceeds of the sale of the bonds would be deposited into a Project Account, maintained by the City Treasurer, and would be applied exclusively to the projects approved under the subject Bond.

- The City Treasurer may appoint fiscal agents or financial institutions to distribute bond interest and principal payments.

- The Board of Supervisors may, by resolution, authorize and direct the sale of any series of bonds to provide for the defeasance of such series bonds.

Item 13, File 00-1614

The proposed resolution would authorize and direct the sale of the initial series of the California Academy of Sciences Improvement Bonds, Series 2000G, in a principal amount not to exceed $15,095,000. The proposed resolution would also approve the form and terms of the documents and official notices related to the sale, and authorize City officials to take various actions necessary to carry out the sale of bonds.

General provisions in the subject resolution regarding the sale of the bonds are as follows:

- The sale of the bonds is tentatively scheduled for November 15, 2000.

- The bonds would be sold at an interest rate not to exceed 12 percent per year and would have a final maturity in not longer than 25 years, or June 15, 2025.

- An official statement describing the proposed bonds is referenced in the proposed resolution for approval by the Board of Supervisors. The official statement would be available to all potential bidders for the bonds.

- Bonds would be awarded to the bidder whose bid represents the lowest total interest cost to the City.

According to Ms. Alison Brown of the California Academy of Sciences, the total $87,445,000 in California Academy of Sciences Improvement Bonds approved by voters in March of 2000 will be used to help fund the expansion, renovation and seismic upgrade of the Academy facility. (The existing facility is 378,443 square feet and the expanded facility will be 428,443 square feet.) The estimated total cost of the project is approximately $230,000,000, which will be funded with: (a) the net proceeds of the $87,445,000 in California Academy of Sciences Improvement Bonds; (b) private financing in the amount of approximately $100,000,000 to be raised by the Academy through private contributions; (c) $28,000,000 in Steinhart Aquarium Improvement General Obligation Bonds approved by San Francisco voters in November of 1995; and, (d) $15,000,000 in grant funds from the State of California, which the State has approved but the Academy has not yet received.

Ms. Brown advises that the $15,095,000 authorized by Item 13, File 00-1614, in California Academy of Sciences Improvement Bonds, Series 2000G, would help to fund planning and initial construction costs of the Academy facility renovation project. According to Ms. Brown, the Academy began planning the project in September of 1999 and since then has expended a total of approximately $5,000,000 on the project, which came from private financing secured by the Academy. Ms. Brown anticipates that the entire renovation project will be completed in the Spring of 2006.

Budget: The Academy proposes to expend the estimated $15,095,000 in proceeds from the California Academy of Sciences Improvement Bonds, Series 2000G, as follows:

Project	Amount
General Construction	
Earthwork and Demolition	$2,691,000
Building Shell	433,000
General Conditions (See Comment No. 2)	593,000
General Contractors Overhead & Profit	230,000
Project Scope Development Contingency (See Comment No. 2)	598,000
Construction Contingency	538,000
Escalation (See Comment No. 2)	880,000
Subtotal General Construction	**$5,963,000**
Other Project Costs	
Hazardous Waste Mitigation Cost	1,250,000
Permits & Fees (See Comment No. 2)	2,787,000
Temporary Systems, Reclamation & Moving Costs	4,500,000
Telecommunications & Security Systems	500,000
Subtotal Other Project Costs	**$9,037,000**
Total Project Costs	**$15,000,000**
Cost of Issuing Bonds	95,000
Total Cost	**$15,095,000**

Comments:

1. Including Items 11, 12, and 13, Files 00-1612, 00-1613, and 00-1614, of this report to the Finance and Labor Committee, the Mayor's Office of Public Finance proposes to sell general obligation bonds in a total amount not to exceed $46,215,000 on November 15, 2000.

2. According to Ms. Brown, the $593,000 for General Conditions in the above budget refers to costs in addition to actual building costs, such as those related to health and safety, insurance and scaffolding. The budget includes $598,000 for a Project Scope Development Contingency since the Academy is still in the planning and design phase of the renovation project and, therefore, must account for adjustments in the design and scope of the project. The $880,000 in the above budget for Escalation is to account for inflation in project costs over the 6-year term of the project. According to Ms. Brown, the $2,787,000 in Permits and Fees in the above budget

includes project and construction management fees, civil and geotechnical engineering fees, as well as a variety of fees paid for inspections and permits.

3. According to Ms. Karen Ribble of the Mayor's Office of Public Finance, after the sale of the California Academy of Sciences Improvement Bonds, Series 2000G, in an amount not to exceed $15,095,000 (Item 13, File 00-1614), the remaining amount of unsold California Academy of Sciences Improvement Bonds would equal $72,350,000.

4. Under the proposed resolution (Item 13, File 00-1614), the annual interest rate for the $15,095,000 in California Academy of Sciences Improvement Bonds, Series 2000G, cannot exceed 12 percent. However, Ms. Ribble reports that if the bonds are sold in November of 2000, as is currently planned, the bonds would probably be sold at an overall effective interest rate of approximately 5.45 percent.

5. According to Ms. Ribble, the proposed sale of California Academy of Sciences Improvement Bonds, Series 2000G, in the amount of $15,095,000 for Item 13, File 00-1614, would result in a total debt service of approximately $24,547,116 ($15,095,000 in principal payments plus $9,452,116 in interest costs) over the 20-year life of the bonds. The average debt service payment per year would be approximately $1,227,355.

6. Ms. Ribble states that the proposed sale of the total of $46,215,000 in general obligation bonds, for Items 11, 12, and 13, as noted in Comment No. 1 above, would result in a total debt service of approximately $75,153,351 ($46,215,000 in principal payments plus $28,938,351 in interest costs) over the 20-year life of the bonds. The average debt service payment per year would be approximately $3,757,668.

7. For Item 13, File 00-1614, According to Ms. Peg Stevenson of the Controller's Office, the proposed sale of the California Academy of Sciences Improvement Bonds, Series 2000G, in the amount of $15,095,000, would result in an increase in the Property Tax rate of approximately $0.0015 per $100 of assessed value. At that rate, the

owner of a single family residence assessed at $400,000 (after allowing for the Homeowner's Exemption Credit) would pay $6.00 in additional Property Taxes annually due to the sale of these bonds.

8. Ms. Stevenson states that the proposed sale of a total of $46,215,000 in general obligation bonds, for Items 11, 12, and 13, as noted in Comment No. 1 above, would result in a total increase in the Property Tax rate of approximately $0.0047 per $100 of assessed value. At that rate, the owner of a single family residence assessed at $400,000 (after allowing for the Homeowner's Exemption Credit) would pay $18.80 in additional Property Taxes annually due to the sale of these bonds.

9. As stated in the Attachment to this report, provided by the Mayor's Office, Ms. Ribble states that the City's general obligation bonding capacity, which is equal to three percent of the City's net assessed property value, is $2,329,486,178 based on a net assessed valuation of $77,649,539,270 for Fiscal Year 2000-2001. Ms. Ribble states that, as of September 1, 2000, the City had outstanding $936,025,000 aggregate principal amount of general obligation bonds, not including the subject bonds of this resolution, which is equal to 1.205 percent of the net assessed valuation. Therefore, Ms. Ribble advises that the City's current available general obligation bonding capacity is approximately $1,393,461,178. The proposed sale of bonds in the total amount of $46,215,000 in general obligation bonds, for Items 11, 12, and 13, as noted in Comment No. 1 above, would reduce the City's bonding capacity from approximately $1,393,461,178 to $1,347,246,178. Ms. Ribble advises that the City's bonding capacity varies from time to time as bonds are repaid and new bonds issued.

10. Ms. Ribble states that the cost of selling the California Academy of Sciences Improvement Bonds, Series 2000G, in the amount of $15,095,000, for Item No. 13, File 00-1614, including fees for bond counsel, financial advisors, financial printing, and the services of the Mayor's Office of Public Finance and the City Attorney, are expected to be approximately $95,000 or approximately 0.63 percent

of the total value of California Academy of Sciences Improvement Bonds to be sold.

11. As stated previously, approval of the proposed resolution (Item 13, File 00-1614) would authorize the sale of general obligation California Academy of Sciences Improvement Bonds, Series 2000G, in the amount of $15,095,000. However, all future expenditures of the bond proceeds would be subject to later appropriation by the Board of Supervisors through supplemental appropriations ordinances.

Recommendation: Approve the proposed resolutions.

City and County of San Francisco, Chartered General Obligation Bond Debt Capacity

	FY 2000-01
Chartered General Obligation Bond Capacity	
Net Valuation	$ 77,649,539,100
3% Cap on Outstanding Obligations	2,329,486,173
General Obligation Bonds Issued to Date	
Principal Amount of Bonds Outstanding at 9/1/00	916,025,000
Remaining Capacity as of 9/1/00	1,413,461,173
General Obligation Bonds Authorized/Expected to be Issued	
Golden Gate Park Improvements (1992 vote)	17,060,000
Recreation & Parks (2000 vote)	14,060,000
California Academy of Sciences (2000 vote)	15,095,000
Total New Bonds	46,215,000
Remaining Capacity after Fall 2000 Bond Sale	1,367,246,173

Source: Mayor's Office of Public Financ

Items 11 and 12 – Files 00-1612 and 00-1613

Departments: Mayor's Office of Public Finance
Recreation and Park Department (RPD)

Items:

Item 11, File 00-1612

Resolution authorizing and directing the sale of not to exceed $14,060,000 in General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000), Series 2000F; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the sale and delivery of said bonds.

Item 12, File 00-1613

Resolution authorizing and directing the sale of not to exceed $17,060,000 in General Obligation Bonds (Golden Gate Park Improvements, 1992), Series 2000E; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the sale and delivery of said bonds.

Amount:

Item	Series	Bonds	Amount
Item 11 File 00-1612	2000 F	Neighborhood Recreation and Park Facilities Improvement Bonds	$14,060,000
Item 12 File 00-1613	2000 E	Golden Gate Park Improvements Bonds	17,060,000
		Total General Obligation Bonds to be Sold	**$31,120,000**

Descriptions:

Item 11, File 00-1612

In March of 2000, San Francisco voters approved the issuance of $110,000,000 in general obligation bonds, known as the Neighborhood Recreation and Park Facilities Improvement Bonds, to provide for the acquisition, construction and/or reconstruction of neighborhood recreation and park facilities and properties. On June 14, 2000 the City sold the first series of Neighborhood Recreation and Park Facilities Improvement Bonds (Series 2000C) in the amount of $6,180,000 (File No. 00-0679), leaving an unsold capacity of $103,820,000 under this bond issue.

The proposed resolution would authorize and direct another sale of the Neighborhood Recreation and Park Facilities Improvements Bonds (Series 2000F) in a principal amount not to exceed $14,060,000. The proposed resolution would also approve the form and terms of the documents and official notices related to the sale, and authorize City officials to take various actions necessary to carry out the sale of bonds.

Item 12, File 00-1613

In June of 1992, San Francisco voters approved $76,300,000 in general obligation bonds, known as the Golden Gate Park Improvements Bonds, to fund the construction and/or reconstruction of Golden Gate Park's utilities and infrastructure. Since 1992, the City has sold $59,240,000 of this bond authorization, leaving an unsold authorization of $17,060,000.

The proposed resolution would authorize the final sale of Golden Gate Park Improvements Bonds (Series 2000E) in a principal amount not to exceed $17,060,000. The proposed resolution would also approve the form and terms of the documents and official notices related to the sale, and authorize City officials to take various actions necessary to carry out the sale of bonds.

Items 11 and 12, Files 00-1612 and 00-1613

General provisions in both of the subject resolutions regarding the sale of bonds are as follows:

- The sale of the bonds is tentatively scheduled for November 15, 2000.

- The bonds would be sold at an interest rate not to exceed 12 percent per year and would have a final maturity in 20 years, on June 15, 2020.

- An official statement describing the proposed bonds is referenced in the proposed resolution for approval by the Board of Supervisors. The official statement would be available to all potential bidders for the bonds.

- Bonds would be awarded to the bidder whose bid represents the lowest total interest cost to the City.

Budgets: Item 11, File 00-1612

The Recreation and Park Department proposes to expend the estimated $14,060,000 in proceeds from the Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2000F, as follows:

Project	Design	Construction /Acquisition	Total
Acquire Natural Areas		$2,000,000	$2,000,000
Alamo Square		400,000	400,000
Argonne Playground	$180,000		180,000
Balboa Park	350,000	200,000	550,000
Erosion Control		500,000	500,000
Esprit Park		1,000,000	1,000,000
Eureka Valley	25,000	500,000	525,000
Field Rehabilitation	150,000	400,000	550,000
Forestry		600,000	600,000
Garfield Square	300,000	200,000	500,000
Glen Park Assessment/Planning	50,000		50,000
Hamilton Square Rec Center	200,000		200,000
Irrigation	40,000	200,000	240,000
J.P. Murphy Playground & Clubhouse	20,000	200,000	220,000
Joseph Lee Rec Center	155,000		155,000
Lessing Sears Mini Park		700,000	700,000
Mission Dolores Park	150,000	400,000	550,000
Moscone Center	200,000		200,000
Natural Areas Management		200,000	200,000
Oceanview Park & Rec Center	200,000		200,000
Courts, Paths, Walkways		350,000	350,000
Rochambeau Playground	80,000		80,000
Rossi Playground	60,000		60,000
Saint Mary's Square		1,200,000	1,200,000
Sava Pool	300,000		300,000
South Sunset Playground	50,000	450,000	500,000
Sunnyside Playground	110,000		110,000
Treat and 23rd Street		1,200,000	1,200,000
Upper Noe Rec Center	400,000		400,000
Youngblood-Coleman Clubhouse	250,000		250,000
Total Project Costs	**$3,270,000**	**$10,700,000**	**$13,970,000**
Cost of Issuing Bonds			90,000
		Total Costs	**$14,060,000**

Attachment I to this report, provided by the Recreation and Park Department, contains a description for each of these projects.

Item 12, File 00-1613

The Recreation and Park Department proposes to expend the estimated $17,060,000 in proceeds from the Golden Gate Park Improvements, Series 2000E, as follows:

Project	Amount
Erosion Control	$300,000
Financial Consultation	20,000
Golden Gate Park East Entry and Extension	910,000
Irrigation & Fencing	300,000
Mallard/Middle Lakes Restoration	824,706
M.L.K. Utilities	9,312,753
North and South Lakes Rehabilitation	2,810,527
Program Management	400,000
Reforestation	1,290,000
Surveying	500,000
Wells – Pumps and Lines	282,014
Total Project Costs	**$16,950,000**
Cost of Issuing Bonds	**110,000**
Total Cost	**$17,060,000**

Attachment II to this report, provided by the Recreation and Park Department, contains a description for each of these projects.

Comments:

1. Including Items 11, 12 and 13, Files 00-1612, 00-1613, and 00-1614, of this report to the Finance and Labor Committee, the Mayor's Office of Public Finance proposes to sell general obligation bonds in a total amount not to exceed $46,215,000 on November 15, 2000.

2. For Item 11, File 00-1612, according to Ms. Karen Ribble of the Mayor's Office of Public Finance, after the sale of the $14,060,000 in Neighborhood Recreation and Park Facilities Improvement Bonds (Series 2000F), the remaining amount of unsold Neighborhood Recreation and Park Facilities Improvement Bonds would equal $89,760,000.

3. For Item 12, File 00-1613, Ms. Ribble reports that the subject resolution would authorize the final sale of the $17,060,000 in Golden Gate Park Improvements Bonds, Series 2000E, thus leaving no remaining unsold Golden Gate Park Improvements Bonds.

4. Under the proposed resolutions (Items 11 and 12, Files 00-1612 and 00-1613), the annual interest rate for the $14,060,000 in the Series 2000F of the Neighborhood Recreation and Park Facilities Improvements Bonds and the $17,060,000 in Golden Gate Park Improvements Bonds cannot exceed 12 percent. However, Ms. Ribble reports that if the bonds are sold in November of 2000, as is currently planned, the bonds would probably be sold at an overall effective interest rate of approximately 5.45 percent.

5. For Item 11, File 00-1612, according to Ms. Ribble, the proposed sale of Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2000F, in the amount of $14,060,000 would result in a total debt service of approximately $22,862,070 ($14,060,000 in principal payments plus $8,802,070 in interest costs) over the 20-year life of the bonds. The average debt service payment per year would be approximately $1,143,104.

6. For Item 12, File 00-1613, according to Ms. Ribble, the proposed sale of Golden Gate Park Improvements Bonds, Series 2000E, in the amount of $17,060,000 would result in total debt service of approximately $27,744,164 ($17,060,000 in principal payments plus $10,684,164 in interest costs) over the 20-year life of the bonds. The average debt service payment per year would be approximately $1,387,208.

7. Ms. Ribble states that the proposed sale of the total of $46,215,000 in general obligation bonds, for Items 11, 12 and 13, as noted in Comment No. 1 above, would result in a total debt service of approximately $75,153,351 ($46,215,000 in principal payments plus $28,938,351 in interest costs) over the 20-year life of the bonds. The average debt service payment per year would be approximately $3,757,668.

8. For Item 11, File 00-1612, according to Ms. Peg Stevenson of the Controller's Office, the proposed sale of the Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2000F, in the amount of $14,060,000, would result in an increase in the Property

Tax rate of approximately $0.0014 per $100 of assessed value. At that rate, the owner of a single family residence assessed at $400,000 (after allowing for the Homeowner's Exemption Credit) would pay $5.60 in additional Property Taxes annually due to the sale of these bonds.

9. For Item 12, File 00-1613, Ms. Stevenson reports that the proposed sale of Golden Gate Park Improvements Bonds, Series 2000E, in the amount of $17,060,000, would result in an increase in the Property Tax rate of approximately $0.0017 per $100 of assessed value. At that rate, the owner of a single family residence assessed at $400,000 (after allowing for the Homeowner's Exemption Credit) would pay $6.80 in additional Property Taxes annually due to the sale of these bonds.

10. Ms. Stevenson states that the proposed sale of a total of $46,215,000 in general obligation bonds, for Items 11, 12, and 13, as noted in Comment No. 1 above, would result in a total increase in the Property Tax rate of approximately $0.0047 per $100 of assessed value. At that rate, the owner of a single family residence assessed at $400,000 (after allowing for the Homeowner's Exemption Credit) would pay $18.80 in additional Property Taxes annually due to the sale of these bonds.

11. As stated in Attachment III, provided by the Mayor's Office of Public Finance, Ms. Ribble states that the City's general obligation bonding capacity, which is equal to three percent of the City's net assessed property value, is $2,329,486,178 based on a net assessed valuation of $77,649,539,270 for Fiscal Year 2000-2001. Ms. Ribble states that, as of September 1, 2000, the City had outstanding $936,025,000 aggregate principal amount of general obligation bonds, not including the subject bonds of this resolution, which is equal to 1.205 percent of the net assessed valuation. Therefore, Ms. Ribble advises that the City's current available general obligation bonding capacity is approximately $1,393,461,178. The proposed sale of bonds in the total amount of $46,215,000 in general obligation bonds, for Items 11, 12, and 13, as noted in Comment No. 1 above, would reduce the City's bonding capacity from approximately $1,393,461,178 to $1,347,246,178. Ms. Ribble advises that the City's

bonding capacity varies from time to time as bonds are repaid and new bonds issued.

12. For Item 11, File 00-1612, Ms. Ribble states that the full cost of selling $14,060,000 in Series 2000F Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2000F, including fees for bond counsel, financial advisors, financial printing, and the services of the Mayor's Office of Public Finance and the City Attorney, is expected to be approximately $90,000, or 0.64 percent of the total value of the Neighborhood Recreation and Park Facilities Improvements Bonds to be sold. For Item 12, File 00-1613, Ms. Hollenebck reports that the full cost of selling $17,060,000 in Golden Gate Park Improvements Bonds is expected to be approximately $110,000, or 0.64 percent of the total value of the Golden Gate Park Improvements Bonds to be sold. Therefore, the full cost of selling the total of $31,120,000 in bonds under the two subject resolutions would be $200,000 or approximately 0.64 of the total value of the bonds to be sold.

13. As stated previously, approval of the two proposed resolutions would authorize the sale of up to $14,060,000 in general obligation Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2000F, (Item 11, File 00-1612) and up to $17,060,000 in general obligation Golden Gate Park Improvements Bonds, Series 2000E, (Item 12, File 00-1613) for a total maximum in bonds of $31,120,000. However, all future expenditures of the bond proceeds would be subject to later appropriation by the Board of Supervisors through supplemental appropriations ordinances.

Recommendation: Approve the proposed resolutions.

City and County of San Francisco — Recreation and Park Department

DATE: August 9, 2000

TO: Karen Ribble, Mayor's Office - Public Finance

FROM: Deborah Learner, Park Planner, Recreation and Park Department

RE: PARK BOND 2000 – Fall 2000 Bond Sale - Project Descriptions:

Total Bond is $13,970,000, as follows:

1. Acquire Natural Areas - $2,000,000: Acquire additional natural areas at Hawk Hill, Edgehill and Palou-Phelps.

2. Alamo Square - $400,000: Funding will augment existing Open Space funds to implement construction of improved playground and provide ADA access. The project, which has received conceptual approval from the Recreation and Park Commission, is expected to go out to bid in 2001.

3. Argonne Playground - $180,000: New staff will be assigned to work with the community in the redesign of the Argonne Playground.

4. Balboa Park and Stadium - $550,000: New staff will be assigned to improve the stadium seating for disabled access, and general park rehabilitation.

5. Erosion Control - $500,000: Additional funding to implement erosion control projects at various sites, including master planning at Buena Vista Park.

6. Eureka Valley - $525,000: Bond funds will be available to augment the building project which is to go out to bid in Winter of 2000 and to support redesign/construction of play area impacted by the new construction.

7. Field Rehabilitation - $550,000: Additional funding to support artificial turf installation at Youngblood-Coleman as well as at Franklin Square.

8. Forestry - $600,000: Urban Forestry improvements in neighborhood parks.

9. Garfield Square - $500,000: Funds will augment existing Open Space and general fund appropriations to support a new play area and landscaping on the south side of the park.

10. Glen Park - $50,000: Funds will be used to support a park site assessment program focusing on the building and land use plan for the park.

11. Hamilton Square and Pool - $200,000: Additional funding to prepare conceptual and schematic plans for the rehabilitation or reconstruction of Hamilton Recreation Center and Pool.

McLaren Lodge, Golden Gate Park
501 Stanyan Street
San Francisco, CA 94117-1898

FAX: (415) 668-7130
Phone: (415) 831-2700

12. Irrigation - $240,000: funding to support design and installation of the automatic irrigation systems at several locations.

13. J. P. Murphy Playground and Clubhouse - $220,000: Project will include preparation of plans for rehabilitation of the playground, courts and clubhouse.

14. Joseph Lee - $155,000: Initiate plans for renovation or reconstruction of the Joseph Lee Recreation Center.

15. Lessing-Sears Mini Park - $700,000: Appropriation to augment existing Open Space funds to construct approved park plan.

16. Mission Dolores - $550,000: Funds will augment existing Open Space funds to implement playground improvements.

17. Moscone Playground - $200,000: Design budget to prepare plans for park site improvements. May support approved playground project.

18. Natural Areas Improvement - $200,000: Funds will support natural areas improvements on various properties. Improvements and stewardship activities often implemented with volunteer and/or Conservation Corps assistance.

19. Oceanview - $200,000: New staff will be assigned to develop improvements or construction plans for Oceanview Playground and Recreation Center.

20. Courts, paths and sidewalks - $350,000: Funding will augment existing project budget to complete work at North Beach and Jose Coronado Playgrounds.

21. Rochambeau Playground - $80,000: New staff will be assigned to develop improvement plans for Rochambeau Playground.

22. Rossi Playground - $60,000: New staff will be assigned to develop landscape improvement plans for the park and playground.

23. St. Mary's Square - $1,200,000: Funds will be used to augment existing budget to implement plans for a new play area and improvement of park infrastructure.

24. Sava Pool - $300,000: Funds will augment previous appropriation to work with pool consultant in developing new facility at Larsen Park/Sava Pool.

25. South Sunset Playground - $500,000: Funds will be used to construct a new playground on the site of a deteriorated play structure.

26. Sunnyside Playground - $110,000: Funding will augment existing Open Space funds to continue planning and design for new park amenities including a new play area.

27. Twenty-third and Treat - $1,200,000: Additional funding will augment existing Open Space funds to construct a small clubhouse and landscape improvements in this new park facility. Improvements are scheduled to go out to bid early in 2001.

28. Upper Noe Recreation Center - $400,000: Plans will be developed by new staff to upgrade the existing play area, provide disabled access and address building deficiencies.

29. Youngblood-Coleman - $250,000: Additional funding to address landscape improvements and consider rehabilitation needed for the clubhouse.

DL:ems

Bond 2000 – Fall Sale

ity and County of San Francisco Recreation and Park Department

DATE: August 21, 2000

TO: Karen Ribble, Public Finance - Mayor's Office

FROM: Deborah Learner, Recreation and Park Department

RE: Golden Gate Park Infrastructure Bond – Fall Bond Sale
Project Description

1. Erosion Control - $300,000: Construction of erosion control structures to contain soil and retain pathways and provide proper drainage in the park.

2. Financial Consultant - $20,000: Direct charge funding for hours specifically related to Golden Gate Park Bond financing and bond sale.

3. Golden Gate Park East Entry and Extension - $910,000: Construction of improvements in the east end of Golden Gate Park and the landscape extension on Kennedy Drive to improve safety and beautify the park.

4. Irrigation/Fencing - $300,000: Direct charge project to accomplish small irrigation and fencing projects.

5. Mallard/Middle Lakes Restoration - $824,706: Restoration of Mallard and Middle Lakes through draining, removal of sediment, reconstruction of the lake liners and reestablishment of shoreline and appropriate vegetation.

6. M. L. K. Utilities - $9,312,753: Construction of major utilities within the southern zone of Golden Gate Park. This includes water and distribution lines, sewers, electrical lines, pathway repairs, disabled access.

7. North and South Lakes Rehabilitation - $2,810,527: Restoration of North and South Lakes through draining, removal of sediment, reconstruction of the lake liners and reestablishment of shoreline and appropriate vegetation

8. Program Management - $400,000: Direct charge funding to support project management directly related to the Golden Gate Park Bond. Includes accounting, budgeting, project management activities.

9. Reforestation - $1,290,000: Direct charge funding for tasks directly related to the reestablishment of the park forest infrastructure. Includes site preparation, planting and establishment of the park forest.

cLaren Lodge, Golden Gate Park
)1 Stanyan Street
ın Francisco, CA 94117-1898

FAX: (415) 666-7130
Phone: (415) 831-2700

10. Surveying - $500,000: Provide for surveying and data management needs related to preparation of plans, specifications and topographic surveys specific to the Golden Gate Park infrastructure bond.

11. Wells – Phase II - Pump and Lines - $282,014: Provides for the installation of wells, pumps and the connection of distribution lines from the pumps to the water distribution system and central reservoir.

12. Bond Issuance Costs - $110,000

DL:ems

ggp bond sale – proj description

City and County of San Francisco, Chartered General Obligation Bond Debt Capacity

	FY 2000-01
Chartered General Obligation Bond Capacity	
Net Valuation	$ 77,649,539,270
3% Cap on Outstanding Obligations	2,329,486,178
General Obligation Bonds Issued to Date	
Principal Amount of Bonds Outstanding at 9/1/00	916,025,000
Remaining Capacity as of 9/1/00	1,413,461,178
General Obligation Bonds Authorized/Expected to be Issued	
Golden Gate Park Improvements (1992 vote)	17,060,000
Recreation & Parks (2000 vote)	14,060,000
California Academy of Sciences (2000 vote)	15,095,000
Total New Bonds	46,215,000
Remaining Capacity after Fall 2000 Bond Sale	1,367,246,178

Source: Mayor's Office of Public Finance

Item 14 – File 00-1523

Note: This item was continued by the Finance and Labor Committee at its meeting of September 20, 2000.

Department: Airport

Item: Resolution approving the Controller's certification that public parking management services for the San Francisco International Airport can continue to be practically performed by a private contractor at lower cost for the year commencing July 1, 2000 than if the work were performed by City and County employees.

Services to be Performed: Public parking management services

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work performed by City employees.

The Controller has determined that contracting for public parking management services at the Airport for FY 2000-2001 would result in the estimated savings as follows:

City-Operated Service Costs	Low	High
Parking & Taxicab Operations	$11,554,883	$13,434,209
Security Control	4,541,806	5,292,830
Janitorial Services	2,331,935	2,709,581
Total	$18,428,624	$21,436,620
Contractual Services Costs		
Parking & Taxicab Operations	$9,865,851	$9,865,851
Security Control	2,497,592	2,497,592
Janitorial Services	2,301,996	2,301,996
Total	$14,665,439	$14,665,439
Estimated Savings	$3,763,185	$6,771,181

Comments:

1. Public parking management services for the Airport include management of parking and taxicab operations, security guard services and janitorial services, according to Mr. Fred Strong of the Airport.

2. Public parking management services have been contracted out since 1971, the first year that these services were provided.

3. The prior one-year contract, which commenced on July 1, 1999 and expired on June 30, 2000, was with AMPCO System Parking Company. Mr. Strong states that AMPCO has provided public parking management services to the Airport for the last nine years. The Airport is exercising the fourth of four one-year options to renew this contract with AMPCO.

4. The subject one-year contract with AMPCO began on July 1, 2000. Therefore, the proposed resolution should be amended to provide for retroactive authorization.

5. The Contractual Services Costs used for the purpose of this analysis are AMPCO's projected FY 2000-2001 costs for public parking management services.

6. According to Mr. Strong, AMPCO provided both public parking management services and employee parking management services until September 1, 1999. On September 1, 1999, ABC Parking Inc./THOR assumed responsibility for the provision of employee parking management services. Mr. Strong reports that a proposed resolution retroactively authorizing the contract with ABC Parking Inc./THOR for employee parking management services will be submitted for approval by the Board of Supervisors at the end of September of 2000.

7. The Attachment to this report, provided by the Airport, is the Controller's supplemental questionnaire with the Department's responses.

Recommendations: 1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 4 above.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department:	Airport Commission
Contract Services:	Public Automobile Parking
Contract Period:	July 1, 2000 to June 30, 2001

1. **Who performed the activity/service prior to contracting out?**
   This service has always been contracted out, it has never been operated by City personnel.

2. **How many City employees were laid off as a result of contracting out?**
   None

3. **Explain the disposition of employees if they were not laid off.**
   N/A

4. **What percentage of City employees' time is spent on services to be contracted out?**
   N/A

5. **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
   Services have been contracted out since October 16, 1971, it is likely to remain contracted out.

6. **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
   It has been certified each year since 1980.
   Yes, it has been certified each year since Fiscal Year 1980/81.

7. **How will the services meet the goals of your MBE/WBE Action Plan?**
   Although this contract was not awarded to a MBE/WBE firm in 1995, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. This contract contains MBE/WBE goals which include "best effort to meet a 30% goal.

8. **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
   The contractor provides health insurance for its employees through union agreements.

9. **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?**
   AMPCO and parent ABMI are working on a nation-wide Domestic Partners Program. This contract is unchanged and the requirement was not included in the contract.

Department Representative: ______________________
Robert Rhoades, Deputy Airport Director - Business

Telephone Number: (650) 821-4050

1.02.04.02AMPCOPROPJCHARTER10Questionnaire00-01

Item 15 - File 00-1622

Department: Airport

Item: Resolution authorizing the Airport Commission to accept and expend a grant in the amount of $140,000 from the Bay Area Air Quality Management District (Air District) for acquisition of Compressed Natural Gas (CNG) buses.

Grant Amount: $140,000

Grant Period: November 2000 through May 2002 (19 months)

Source of Funds: Transportation Fund for Clean Air (TFCA) administered by the Bay Area Air Quality Management District (Air District)

Project: Airport Clean Fuel Bus Demonstration Project

Description: The Airport Clean Fuel Bus Demonstration Project is a demonstration project to encourage companies that provide on-Airport passenger and employee shuttle operations between the Airport terminals and the long-term parking lots to replace a portion of their gasoline- and diesel-powered vehicles with clean CNG vehicles. The subject funds would be provided by the Air District to the Airport to subsidize the incremental cost of CNG buses over gasoline- and diesel-powered vehicles.

The grant would provide partial funding to the Airport to purchase four CNG buses for on-Airport passenger and employee shuttle operations between the Airport terminals and the long-term parking. According to Mr. Roger Hooson of the Airport, the Air District contributes up to a maximum of $35,000 per vehicle toward the incremental cost of CNG vehicles over gasoline- and diesel-powered vehicles. Attachment I, provided by the Airport, shows that the grant provides approximately 11 percent, or $140,000, of the total cost of the four CNG vehicles. The Airport would provide the balance of approximately 89 percent, or $1,152,000 in Airport revenue, of the estimated total cost of $1,292,000 for the four CNG vehicles.

The Airport would supplement the grant funds they receive in order to cover the entire cost of the new CNG vehicles. The

Airport would also administer the grant, disburse funds to the contracted transportation operator SFO Shuttle Bus Company, and monitor the project. The Airport will absorb the administrative costs of the grant application process and the Airport will also contribute some staff time in administering the funds and monitoring operator compliance, through the use of Airport revenue, at an estimated cost of $1,000.

The SFO Shuttle Bus Company operates the long-term parking shuttle bus service under contract to the Airport. The subject vehicles would be purchased by the SFO Shuttle Bus Company and leased to the Airport for approximately 7 years. According to Mr. Hooson, the Airport will make monthly lease payments from its Air Transit Programmatic Fund, which obtains its monies mostly from Airport parking revenue, to the SFO Shuttle Bus Company to cover the capital, operating, and maintenance costs of the four CNG vehicles not covered by the grant funds. At the termination of the lease, the Airport would own the vehicles.

Budget:

Estimated Costs (Estimates are based on the incremental cost of a CNG fueled vehicle compared to a conventional fueled vehicle. The Air District contributes up to a maximum of $35,000 per vehicle.)		
Per full-size transit vehicle (26 seats plus luggage storage)	$35,000 x 4 vehicles	$140,000
	Total Budget for Grant:	**$140,000**

Although the subject grant does not require matching funds, Mr. Hooson reports that, to supplement the Air District grant, the Airport would pay the remaining balance of $1,152,000 of the estimated total cost of $1,292,000 for the four CNG vehicles. The Airport funds will come from the Air Transit Programmatic Fund. The Airport will be responsible for any maintenance and operating costs incurred by the four CNG vehicles.

Mr. Hooson advises that all costs under this grant are capital costs, and 100 percent of the funds would be used toward the purchase of the four, 26-passenger CNG fueled buses made

by New Flyer Industries, a Canadian manufacturer. The actual amount paid by the Air District depends on the number and type of the CNG buses ultimately sought by the SFO Shuttle Bus Company, and the incremental costs of each bus purchased, compared to the closest gasoline- or diesel-powered model. However, based on the estimated cost data provided, a total of four CNG buses would be purchased.

Airport Matching Funds: None

Indirect Costs: Indirect costs would be waived in order to maximize use of grant funds on direct services.

Comments:

1. The buses will be used by the SFO Shuttle Bus Company generally for transportation for Airport users between the Airport terminals and the long-term public parking lot. Emissions for the four CNG buses must be below the level specified by the Air District. The gross vehicle weight of the buses must be greater than 10,000 pounds.

2. Mr. Hooson reports that the SFO Shuttle Bus Company, on behalf of the Airport, would purchase, operate, and maintain the four dedicated CNG buses to be funded in part by this program. The SFO Shuttle Bus Company would also compile vehicle maintenance histories and provide the data to the Airport. The SFO Shuttle Bus Company would be required to participate in audits that, if deemed necessary, would be conducted by the Airport and the Air District to verify the companys' compliance with grant's guidelines.

3. The SFO Shuttle Bus Company has provided specific information on the gasoline- and diesel-powered buses, which the company plans to replace in exchange for CNG buses. The four 40-foot pure CNG buses would be assigned to replace four 1982 diesel buses operating primarily in long-term parking lot service.

4. Attachment II is the Airport's Grant Application Information Form, which includes the Disability Access Checklist.

5. Item 16, File 00-1623, of this report to the Finance and Labor Committee also pertains to one other Airport grant

related to the acquisition of 34 CNG buses that would service various hotels and off-Airport parking facilities.

Recommendation: Approve the proposed resolution.

BOARD OF SUPERVISORS
BUDGET ANALYST

Attachment I

FILE 00-1622

PROPOSED DISTRIBUTION OF GRANT FUNDS (SUBJECT TO CHANGE)

Transport Operator	Veh. Make	Veh. Model	# Seats	Base Veh. Cost	Grant Funds Per Veh.	# of Veh.	Total Grant Funds	Total Cost
SFO Shuttle Bus (Airport Contract)	New Flyer	C40LF	26 + luggage	$288,000	$35,000	4	$140,000	$1,292,000

Notes:

- Only the actual documented incremental costs of CNG vehicles not to exceed $35,000 will be reimbursed by the Air District. Payment is made only after vehicle acquisition.

- Grant amount applied for may exceed actual reimbursement due to changes in involved transportation operators, number of vehicles ordered, and other factors.

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: *2000 Airport Clean Fuel Bus Demonstration Project*

2. Department: *Airport Commission*

3. Contact Person: *Roger Hooson* Telephone: *(650) 821-6511*

4. Grant Approval Status (check one):

   [ ] Approved by funding agency [x] Not yet approved

5. Amount of Grant Funding Approved or Applied for: *$140,000*

6a. Matching Funds Required: *None*
 b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: *Bay Area Air Quality Management District*
 b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

San Francisco International Airport will take delivery of four (4) natural gas buses for on-Airport passenger and employee shuttle operation by an existing contractor. Emissions must be below the level specified by the Bay Area Air Quality Management District.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: *11/00* End-Date: *5/02*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends?
    N/A

12a. Amount budgeted for contractual services: *None*

 b. Will contractual services be put out to bid? *N/A*

 c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*

d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a. Does the budget include indirect costs? [ ] Yes [x] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [x] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[x] Existing Site(s)
[ ] Rehabilitated Site(s)
[ ] New Site(s)
[ ] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[ ] New Structure(s)
[x] Existing Program(s) or Service(s)
[ ] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: 8-25-2000

Department Approval: Ron Fong SFO ADA Compliance Officer
(Name) (Title)

(Signature)

Item 16 - File 00-1623

Department: Airport

Item: Resolution authorizing the Airport Commission to accept and expend a grant in the amount of $980,000 from the Bay Area Air Quality Management District (Air District) for acquisition of Compressed Natural Gas (CNG) buses.

Grant Amount: $980,000

Grant Period: November 2000 through May 2002 (19 months)

Source of Funds: Transportation Fund for Clean Air (TFCA) administered by the Bay Area Air Quality Management District (Air District)

Project: Airport Natural Gas Shuttle Implementation Project, Low-Emission Vehicle Program

Description: The Airport Compressed Natural Gas (CNG) Shuttle Implementation Project, Low-Emission Vehicle Program, is a project to encourage companies that transport the public and airline crews to and from the Airport to replace a portion of their gasoline- and diesel-powered vehicles with clean CNG vehicles. The project would provide funds to transportation companies operating at the Airport to subsidize the incremental cost of CNG buses exceeding the cost of gasoline- and diesel-powered vehicles. In general, the vehicles to be funded by this project would operate within a 10-mile radius of the Airport, and to downtown San Francisco.

The subject grant would provide partial funding to purchase 34 CNG buses that would service various hotels and off-Airport parking facilities. According to Mr. Roger Hooson of the Airport, the Air District contributes up to a maximum of $35,000 per vehicle toward the incremental cost of CNG vehicles over gasoline- and diesel-powered vehicles. Attachment I, provided by the Airport, shows that the grant provides approximately 27 percent, or $980,000, of the total cost of the 34 CNG vehicles. The five participating transportation companies, namely Bauer Transportation, SFO Airporter, SkyPark, Anza Park & Sky,

and Advanced Airporter, would provide the balance of approximately 73 percent, or $2,700,000, of the estimated total cost of $3,680,000 for the 34 CNG vehicles.

According to Mr. John Martin, Airport Director, transportation service providers will pay the equivalent cost of a conventional fuel vehicle, with the Air District contributing only the additional charge for a clean air vehicle of similar type, up to a maximum of $35,000 per vehicle. According to Mr. Hooson, no Airport funds will be contributed toward the cost of these vehicles, and the Airport will have no ownership interest in the vehicles. However, the Airport will absorb the administrative costs of the grant application process and the Airport will also contribute some staff time in administering the funds and monitoring operator compliance, through the use of Airport revenue, at an estimated cost of $3,000.

The Airport would administer the grant, disburse Air District funds to participating transportation companies, and monitor the project. The participating agencies will purchase or lease and maintain the vehicles to be funded by the subject grant, operating said vehicles for their useful life in the San Francisco Bay Area. The five transportation companies mentioned above have provided the Airport with letters of intent to participate in the demonstration project.

According to Mr. Hooson, an important component of this demonstration project is the CNG fueling station at the Airport's Ground Transportation Staging Area located near the U.S. 101 Millbrae Avenue interchange. The Airport awarded a lease to a private firm, Trillium USA, to build and operate the CNG fueling station facility. This fueling station became operational in June of 1999 and is accessible to any of the Airport's contracted and permitted transportation companies that provide transportation to and from the Airport. These services include door-to-door vans, scheduled vehicles, taxis and the Caltrain-SFO Shuttle. Under the terms of its lease with the Airport, Trillium USA pays to the Airport three percent of its gross revenues, or a minimum of $593 monthly ($7,116 annually), whichever is greater. Most of these vehicles will refuel at this site.

Budget:

Estimated Costs Estimates are based on the incremental increased cost of a CNG fueled vehicle compared to a conventional fueled vehicle. The Air District contributes up to a maximum of $35,000 per vehicle.		
Per full-size transit vehicle (30 seats plus luggage storage)	$35,000 x 20 vehicles	$700,000
Per full-size transit vehicle (21 seats plus luggage storage	$20,000 x 14 vehicles	$280,000
	Total Budget for Grant:	**$980,000**

To supplement the Air District grant, the five transportation providers would pay the balance of $2,700,000 of the estimated total cost of $3,680,000 for the 34 CNG vehicles, as listed in Attachment I, provided by the Airport.

Mr. Hooson advises that all costs under this grant are capital costs, and 100 percent of the funds would be used toward the purchase of 20 Supreme President 30-seat CNG fueled buses and 14 Ford E-450 21-seat CNG fueled buses. The actual amount paid by the Air District will depend in the number and type of the CNG buses ultimately sought by the transportation companies, and the incremental costs of each bus purchased, compared to the closest gasoline- or diesel-powered model. However, based on the estimated cost data provided, a total of 34 CNG buses would be purchased.

Airport Matching Funds: None

Indirect Costs: Indirect costs would be waived in order to maximize use of grant funds on direct services.

Comments:

1. The Airport hotel and parking courtesy shuttle operators will acquire 34 dedicated CNG buses. Emissions must be below the level specified by the Air District. The gross vehicle weight of the buses must be greater than 10,000 pounds.

2. Mr. Hooson reports that the Airport has selected 34 vehicles under five transportation operators for the demonstration project (see Attachment I). These five operators would purchase, operate, and maintain the vehicles to be funded by this program. The five operators would also compile vehicle maintenance histories and provide the data to the Airport. The five transportation companies would be required to participate in audits that, if deemed necessary, would be conducted by the Airport and the Air District to verify the companies' compliance with grant's guidelines.

3. Attachment II is the Airport's Grant Application Information Form, which includes the Disability Access Checklist.

4. Item 15, File 00-1622, of this report to the Finance and Labor Committee also pertains to one other Airport grant related to the acquisition of four CNG buses for on-Airport passenger and employee shuttle operations between the Airport terminals and long-term parking.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

Attachment I

FILE 00-1623

PROPOSED DISTRIBUTION OF GRANT FUNDS (SUBJECT TO CHANGE)

Transport Operator	Veh. Make	Veh. Model	# Seats	Base Veh. Cost	Grant Funds Per Veh.	# of Veh.	Total Grant Funds	Total Cost
Bauer Transportation (HotelAirportShuttle)	Supreme	President	30	$100,000	$35,000	20	$700,000	$2,700,000
SFO Airporter	Ford	E-450	17-21	$50,000	$20,000	6	$120,000	$420,000
SkyPark	Ford	E-450	15	$50,000	$20,000	4	$80,000	$280,000
Anza Park & Sky	Ford	E-450	18	$50,000	$20,000	2	$40,000	$140,000
Advanced Airporter	Ford	E-450	20	$50,000	$20,000	2	$40,000	$140,000
TOTAL				$2,700,000			$980,000	$3,680,000

Notes:

- Only the actual documented incremental costs of CNG vehicles not to exceed $35,000 will be reimbursed by the Air District. Payment is made only after vehicle acquisition.

- Grant amount applied for may exceed actual reimbursement due to changes in involved transportation operators, number of vehicles ordered, and other factors.

- For the Ford E-450, seating capacity is determined primarily by amount of luggage space. Base vehicle cost is not materially affected by number of seats.

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: *2000 Airport Natural Gas Shuttle Implementation Project*

2. Department: *Airport Commission*

3. Contact Person: *Roger Hooson* Telephone: *(650) 821-6511*

4. Grant Approval Status (check one):

[ ] Approved by funding agency [x] Not yet approved

5. Amount of Grant Funding Approved or Applied for: *$980,000*

6a. Matching Funds Required: *None*
b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: *Bay Area Air Quality Management District*
b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

San Francisco International Airport hotel and parking courtesy shuttle operators will acquire 34 dedicated compressed natural gas (CNG) buses. Emissions must be below the level specified by the Bay Area Air Quality Management District. The gross vehicle weight of the buses must be greater than 10,000 pounds.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: *11/00* End-Date: *5/02*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends?
N/A

12a. Amount budgeted for contractual services: *None*

b. Will contractual services be put out to bid? *N/A*

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*

d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a. Does the budget include indirect costs? [ ] Yes [x] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [x] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[x] Existing Site(s) [ ] Existing Structure(s) [x] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [ ] New Program(s) or Service(s)
[ ] New Site(s) [ ] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: 8-25-2003

Department Approval: Ron Fong SFO ADA Compliance Officer
(Name) (Title)

(Signature)

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, October 11, 2000 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:12 a.m.

001608 **[Reserved Funds, Fire Department]**

Hearing to consider release of reserved funds, Fire Department (Fiscal Year 2000-2001 Budget), in the amount of $1,414,943 for overtime costs. (Fire Department)

9/12/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Department requests this item be scheduled for the September 27, 2000 meeting.

9/27/00, CONTINUED. Heard in Committee. Speakers:Harvey Rose, Budget Analyst; Acting Chief Tobacco, Fire Department; Supervisor Yee; Ed Harrington, Controller.
Continued to October 11, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Acting Chief Tobacco, Fire Department; Ed Harrington, Controller; Supervisor Yee, Supervisor Ammiano; Ken Bruce, Budget Analyst's Office; Erin McGrath, Mayor's Budget Office; Jim Corrigan; Supervisor Bierman.
Amended to release reserved funds in the amount of $1,866,591.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001734 **[Chinatown Youth Center Release of Reserve (Fiscal Year 2000-2001 Budget)]**

Supervisor Yee

Motion releasing $100,000 placed on Board of Supervisors reserve for the Chinatown Youth Center.

10/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Debra Alvarez, Director, Department of Children, Youth and Their Families; Robert Chan, Executive Director, Chinatown Youth Center (CYC); George Ong, Board of Directors, CYC; Ken Boeri, Board of Directors, CYC; Richard G. Ow, Immigrant Rights Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001699 **[Airport sublease of warehouse space to the S.F. Fine Arts Museums]**

Supervisor Newsom

Resolution approving a sublease of warehouse space between the Corporation of the San Francisco Fine Arts Museums and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/27/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Continued to October 25, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001700 **[Airport Equipment Maintenance and Operating Agreement]**

Resolution approving Equipment Maintenance and Operating Agreement between San Francisco Terminal Equipment Company LLC and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/27/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Airport.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 11:18 a.m.

.254

/00

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 5, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: October 11, 2000 Finance and Labor Committee Meeting

Item 1 - File 00-1608

Note: This item was continued by the Finance and Labor Committee at its meeting of September 27, 2000.

1. This is a hearing to consider the release of $1,414,943 in reserved funds in the Fire Department's Fiscal Year 2000-01 budget for overtime expenditures.

2. During the FY 2000-01 budget hearings, the Finance and Labor Committee recommended that one third of annual overtime expenditure budget for several City departments be placed on reserve so that the Committee can monitor spending for overtime during the fiscal year. The Fire Department's approved FY 2000-01 General Fund budget includes overtime expenditures of $6,475,028. $1,866,591 of this amount was placed on reserve, leaving $4,608,437 available for expenditure.

3. In a letter to the Finance Committee dated September 8, 2000, Acting Chief of the Fire Department Tabacco sent a letter to the Finance and Labor Committee requesting that the Committee release $1,414,943 of the $1,866,591 in previously reserved overtime funds (which would leave $451,648 remaining on reserve. The letter attributed high overtime spending through the first 3.5 pay periods of FY 2000-01 to the following:

- The need to increase staffing of Fire Department sworn personnel assigned to the City's Emergency Communications Center from 40 to 59;

- Increased use of sick leave, temporary disability pay and light duty associated with pending retirements, causing vacancies in Fire Suppression staffing and increased overtime to meet minimum daily staffing requirements; and,

- A high rate of "retirements and retirement payouts" during the first two months of the fiscal year.

4. The Controller's latest projection report for salary and fringe benefit expenditures (including overtime) shows that as of the pay period ending September 15, 2000, the Fire Department has incurred General Fund overtime expenditures of $3,861,153. Therefore, through September 15, 2000 (or 5.5 of 26.0 pay periods in FY 2000-01) the Fire Department has already expended 59.6 percent of its total overtime appropriation of $6,475,028, and 83.8 percent of its available, unreserved overtime funding of $4,608,437.

Based on all salary and fringe benefit expenditures incurred during the pay period ending September 15, 2000, the Fire Department is projected to spend a total of $16,261,167 on overtime which is 151.1 percent or $9,786,139 more than the Department's total FY 2000-01 overtime appropriation of $6,475,028. However, the Fire Department currently projects that overtime spending will decrease over the remaining pay periods of the Fiscal Year, resulting in a total overtime deficit of $5,100,000 (see No. 8 below).

5. The Controller's Office has reviewed budgetary requirements for Firefighter premium pay in order to calculate additional funding that would be required from the General Fund Salary and Fringe Benefits Reserve. Based on this review, the Controller reports that approximately $500,000 will be transferred from the General Fund Salary and Fringe Benefits Reserve to the Fire Department's budget in order to offset higher than expected premium pay expenditures.

6. In addition to the Salary and Fringe Benefits Reserve transfer to the Fire Department budget, which will decrease the projected overall Fire Department budget deficit, the Fire Department estimates that the planned hiring of new personnel during the fiscal year will decrease the need for overtime expenditures since the new personnel will lessen the need to backfill vacant positions in order to meet scheduled staffing in Fire Suppression.

7. At the current rate of overtime spending, the Fire Department will exceed the $4,608,437 available, unreserved overtime appropriation during the pay period ending October 13, 2000. Using the same rate of spending, the Fire Department will exceed its total overtime appropriation of $6,475,028 by the end of November of 2000. Therefore the Fire Department's entire FY 2000-2001 budgeted overtime

funds will be spent with seven months of the fiscal year still remaining (December through June of 2001).

8. The Controller, and the Budget Analyst have reviewed the overall FY 2000-2001 spending plan prepared by the Fire Department's Chief Financial Officer, Ms Debra Ward. Based on the assumptions used in preparing the spending plan, the Controller and the Budget Analyst conclude that the Fire Department's spending plan will result a net General Fund supplemental appropriation of approximately $4,800,000, including a $5,100,000 deficit for additional overtime, prior to the completion of the fiscal year. The key elements comprising the estimated deficit of $4,800,000 are listed below:

Item	Surplus/ (Deficit)
Uniform Salaries	$ 3,800,000
Miscellaneous Salaries	(900,000)
Retirement Payouts	(3,000,000)
Premium Pay	(800,000)
Holiday Pay	200,000
Overtime	(5,100,000)
Charges to Airport	300,000
Total Expenditure Deficit	($5,500,000)
Increased Inspection Revenue	700,000
Net Total	($4,800,000)

Comments: 1. The Budget Analyst and the Controller's Office have reviewed current staffing for Fire Department sworn personnel assigned to the City's Emergency Communications Center which has, according to the Chief of the Fire Department, increased from 40 to 59 and increased the Fire Department's overtime spending in order to backfill the additional staffing requirement. The increased staffing has reportedly resulted from the change in shift times, since previously dispatchers worked 24 hour shifts, and now work 12 hour shifts. Based on the review by the Budget Analyst and Controller, we have concluded that the change in work schedule resulted in no increased overtime spending compared to prior years.

2. The Budget Analyst has also reviewed suppression overtime shift requirements and absenteeism data for the first three months of FY 2000-01. Based on this review, we have found that:

- Overall, the number of overtime shifts required per day to meet minimum suppression staffing requirements has increased by 23.1 overtime shifts per day, from 16.6 per day during the first three months of FY 1999-2000 to 39.7 during the first three months of FY 2000-01, an increase of 139.2 percent;

- The number of staff scheduled for suppression duty has decreased by 12 Firefighters per day, from 421 during the first three months of FY 1999-2000 to 409 per day during the first three months of FY 2000-01, reflecting the decreased number of Firefighters available due to retirements.

- The average daily number of Firefighters out on sick leave has increased by 3.23 per day or 14.1 percent, from 22.87 per day during the first three months of FY 1999-2000 to 26.1 per day during the first three months of FY 2000-01; and,

- The average daily number of Firefighters out on temporary disability has increased by 1.83 per day or 9.7 percent, from 18.83 per day during the first three months of FY 1999-2000 to 20.66 per day during the first three months of FY 2000-01.

- The need to schedule overtime shifts in order to cover absences due to vacation does not appear to have changed significantly comparing the first three months of FY 1999-2000 to the first three months of FY 2000-01.

3. If the Finance and Labor Committee approves the release of reserved overtime funds in the amount of $1,414,943, total funds of $451,648 of the original overtime funding reserve of $1,866,591 will remain on reserve and the remaining $451,648 would require Finance and Labor Committee approval before such funds can be released for expenditure.

Recommendation: Approve the requested release of reserved funds in the amount of $1,414,943 and direct the Fire Department to submit monthly updates to their spending plan in order to monitor the Department's progress in reducing overtime spending rates.

REVISED
October 6, 2000

Item 2 - File 00-1734

Department: Department of Children, Youth and their Families (DCYF)

Item: Motion releasing $100,000 placed on Board of Supervisors reserve for the Chinatown Youth Center's Positive Learning and Activities for Youth program (PLAY).

Amount: $100,000

Source of Funds: General Fund monies reserved in the Fiscal Year 2000-2001 Department of Children, Youth and their Families budget.

Description: During the FY 2000-2001 budget hearings, the Board of Supervisors approved an appropriation of $100,000 for the Chinatown Youth Center's (CYC) PLAY Program and placed on a Board of Supervisors reserve, pending submission of program budget details.

Approval of the proposed release of reserved funds in the amount of $100,000 would authorize DCYF to enter into a contract with Chinatown Youth Center, a nonprofit organization.

The purpose of the PLAY Program is to target recent Asian immigrant youth, ages 14 to 17, residing in the Chinatown, Tenderloin, Richmond and Sunset neighborhoods (see Comment 2). PLAY provides a culturally responsive, comprehensive program designed to provide services to youth at risk of dropping out of school or juvenile delinquency. The services would include tutoring, vocational training, computer skills, English as a Second Language (ESL) courses, creative arts and field trips.

Budget: The summary budget for the proposed contract with Chinatown Youth Center for the PLAY program is as follows:

Salaries	$56,225
Benefits	10,150
Operating expenses	33,625
Total	$100,000

The Attachment, provided by DCYF, contains budget details for the summary budget noted above.

Comments:

1. The Chinatown Youth Center (CYC) is community-based multi-service non-profit agency, whose mission is to serve and empower youth and their families to become responsible members of society. CYC has implemented an extensive counseling program with anti-juvenile delinquency focus.

2. According to Mr. Robert Chan of CYC, the PLAY Program will serve 40 Asian immigrant youth, ages 14 to 17 from the Chinatown, Tenderloin, Richmond and Sunset neighborhoods. Mr. Chan further states that CYC will recruit youths via community, intake and DCYF referrals as well as referrals from schools in the 4 neighborhoods that CYC serves. Mr. Chan states that the PLAY Program would be offered to Asian immigrant youth with one or more of the following risk factors: poverty or economically disadvantaged; limited English proficiency; antisocial behavior or exposure to violence or gangs; low educational achievement; and, truant or dropout.

3. According to Ms. Nani Coloretti of DCYF, DCYF will contract with CYC on a sole-source basis to provide Asian youth outreach and support services to ensure academic success, develop personal and social competency, foster social support systems and enhance job readiness and vocational skills. Ms. Coloretti notes that the PLAY Program was added to the DCYF budget by the Board of Supervisors and was funded for one year.

Recommendation: Approve the proposed motion.

CYC-PLAY-

BUDGET CATEGORY AND LINE-ITEM DETAIL A. Personal Services - Salaries/Employee Benefits				COST
	Salaries:			
1	Youth and Family Counselor (Full-time)	1.00 FTE @	24,000.00	$24,000.00
	Youth and Family Counselor (Full-time)	1.00 FTE @	24,000.00	$24,000.00
	Provide outreach, recruitment, recreational activities & field trips. Facilitate vocational training workshops, assist the consultant at the workshops, do the intake and need assessment and implement all direct services.			
2	Program Manager (Part-time)	0.10 FTE @	41,250.00	$4,125.00
	Develop program services & curriculum, oversee all project staff & program management. The Program Manager will convene all meetings with collaborative agencies.			
3	Program Assistant (Part-time)	0.10FTE @	21,000.00	$2,100.00
	The Program Assistant will perform support function to this program by assisting in word processing, copying, and maintaining a control system of all program equipment, material and supplies.			
4	Grants Coordinator (Part-time)	0.05FTE @	40,000.00	$2,000.00
	The Grants Coordinator will coordinate all grant compliance requirements.			
	Youth & Family Counselors, Program Manager, Program Assistant, & Grants Coordinator-Fringe Benefits @ 18%			
	FICA (7.65% of total salaries x $56,225)			$4,301.00
	SUI (Max. $7,000 @ 2.10% x 2.25FTE)			$537.00
	Workers Compensation @ 1.12% x $56,225)			$630.00
	Health & Dental Insurance($173.41/month x 12months x 2.25FTE)			$4,682.00
	Total Salaries & Benefits represent 66.38% of total project cost.			$66,375.00

CYC-PLAY-

BUDGET CATEGORY AND LINE-ITEM DETAIL			
B.	**Operating Expenses**		**COST**
1	TRAVEL Total travel expense represents 1.86% of the total project cost. Monthly fast passes for project staff Local Travel 2.25 FTE/Month for 12 months @$35 Mileage/Parking	 1,260.00 600.00	$1,860.00
2	OFFICE SUPPLIES Office supplies including desktop stationary, computer, fax, copier supplies $100/month x 12 months represents 1.20% of the total project costs.	 1,200.00	$1,200.00
3	FACILITY RENTAL Total rental represents 4.80% of total project cost. Office Rent : Office space for 2.25 FTE staff. Expenses include rent & maintenance Program Facility Rent: Rental includes conference space for weekly activities, tutorial, workshops, counseling rooms and Computer Labs. Expense include rent, garbage and maintenance services. $400 per month x 12 months	 4,800.00	$4,800.00
4	UTILITIES 10% of facility rental cost PG&E, Water, Garbage and Janitorial	480.00	$480.00
5	TELEPHONE & PAGER Expense include telephone/fax, pager, internet access, hot line & cellular for 2.25 FTE $200/month x 12 months represents 2.40% of the total project cost.	 2,400.00	$2,400.00
6	INSURANCE $85/month x 12 months represents 1.02% of total project Expense include general liability, fidelity bond, professional liability and property liability insurance.	 1,020.00	$1,020.00
7	AUDIT $90/month x 12 months represents 1.08% of total project Expense include annual financial audit and Federal and State income tax return preparation fee	1,080.00	$1,080.00
8	FISCAL MANAGEMENT $834/month x 12 months Expense include fiscal/grant management, and accounting services of the project. Accountant 0.16FTE @ 34,320 — 5,491.00 Fiscal Director 0.05FTE @ $58,520 — 2,926.00 Fringe Benefits @ 18.81% — 1,583.00 10,000.00 Total indirect overhead represents 10% of the total project.	10,000.00	$10,000.00
	Sub-total Page 1 of 2		$22,840.00

BUDGET CATEGORY AND LINE-ITEM DETAIL B. Operating Expenses		COST
9 PROGRAM SUPPLIES		$9,900.00
Arts & Crafts Supplies $100 x 12 months	1,200.00	
Monthly field trip expense for 40 youth including transportation entry fees for parks & museums. $4.25 per person x 40 youths x 12 months	2,040.00	
6 Retreats for 40 youths including transportation entry fees to Marin Headland, bag lunch and refreshment. $25 per person x 40 youths x 6 times	6,000.00	
1 Graduation Ceremony Buffet Dinner for 40 youths and parents $660 x 1 time	660.00	
Total program Supplies represents 9.90% of the total project.		
10 PRINT, COPY & POSTAGE $73.75 x 12 months represents 0.89% of the total project.	885.00	$885.00
Sub-total Page 2 of 2		$10,785.00
Total Operating Expense represents 33.62% of total project cost.		$33,625.00
PROJECT TOTAL All pages		$100,000.00

Item 3 - File 00-1699

Department: Airport

Item: Resolution approving the sub-lease of warehouse space at 245 South Spruce Avenue, South San Francisco, between the Corporation of the San Francisco Fine Arts Museums as sub-lesee and the City and County of San Francisco as sub-lessor, acting by and through its Airport Commission.

Comment: Mr. Gary Franzella of the Airport states that he will not be able to provide information requested by the Budget Analyst in time for the October 11 meeting of the Finance and Labor Committee meeting. Mr. Franzella therefore requests that the proposed resolution be continued for one week until the October 18 meeting of the Finance and Labor Committee.

Recommendation: Continue the proposed resolution for one week as requested by the Airport.

Item 4 - File 00-1700

Department: Airport

Item: Resolution approving the International Terminal Equipment Maintenance and Operating Agreement between the San Francisco Terminal Equipment Company, LLC (SFOTEC) and the City and County of San Francisco, acting through its Airport Commission, under which SFOTEC would maintain, repair, operate, and use Airport-owned equipment and operating systems for handling flights and passengers at the Airport's new International Terminal.

Description: The City, acting through the Airport Commission, owns certain equipment and operating systems for handling flights and passengers at the Airport's new International Terminal. The specific equipment (such as passenger loading bridges) and operating systems (such as baggage handling systems), purchased by the City at a total cost of \$100,720,419 using Airport Revenue Bond proceeds are listed in the Attachment provided by the Airport. According to Ms. Dorothy Schimke of the Airport, in 1992 and 1996 the Board of Supervisors approved the supplemental appropriations for the Airport's Master Plan which funded the purchase and activation of the subject equipment and operating systems.

Twenty-two of the 24 airlines with leases at the new International Terminal have formed a consortium, the San Francisco Terminal Equipment Company, LLC (SFOTEC) [1], to (a) maintain, repair, operate, and schedule the use of the City-owned equipment and operating systems at the new International Terminal, (b) maintain, operate, and schedule the use of the new International Terminal's joint use ticket counters and gates, and (c) allocate the associated costs related to the City-owned equipment and operating systems among the airline users. Under the subject International Terminal

[1] According to Ms. Schimke, it is a business decision for each airline whether or not to join the SFOTEC consortium. Of the 24 airlines with leases at the new International Airport, only Aeroflot Russian International Airlines and Lineas Areas Costarricenses (LACSA), S.A. have so far chosen not to participate. The primary advantage of participating in the SFOTEC consortium is the lower cost of using the equipment and operating systems covered by the subject agreement.

Equipment Maintenance and Operating Agreement, the City would license to SFOTEC the right to, and SFOTEC would accept the obligation to, maintain, repair, operate, and use the City-owned equipment and operating systems listed in the Attachment. SFOTEC would pay a projected annual fee of $4,566,000 to the Airport to reimburse the Airport for all debt service costs for that portion of the Airport Revenue Bond proceeds which were used by the Airport to purchase the equipment and operating systems at a total cost of $100,720,419. In addition, SFOTEC would also reimburse the Airport for the Airport's actual custodial service costs and utility charges. SFOTEC would allocate all debt service, custodial service, and utility charge costs between the airline users of the new International Terminal according to the formula outlined in Comment No. 3 below.

Term of Agreement: Ms. Schimke states that the subject agreement between SFOTEC and the Airport would commence on the date it is fully executed following Board of Supervisors approval and would terminate on September 30, 2005. This is anticipated to be a term of four years and ten months (which is one month longer than the anticipated fee payment period which is determined by the date on which the new International Terminal is fully operational). According to Ms. Schimke, after the termination date, the Airport could either (a) negotiate a new agreement with SFOTEC, (b) negotiate a new agreement with a third party, or (c) resume responsibility for maintaining, repairing, and operating the equipment and operating systems itself. If option (c) was chosen, the Airport would then be reimbursed by the airlines through the annually calculated landing fee rates and terminal building rental rates paid by the airlines to the Airport.

Fees Payable Under the Agreement by SFOTEC to the Airport: SFOTEC would pay the Airport $380,500 per month, for a total annual amount of $4,566,000 per year, to fully cover the Airport's annual debt service costs to pay off that portion of the Airport Revenue Bond proceeds which the Airport used to purchase the equipment and operating systems at a total cost of $100,720,419. This debt service

cost covers all related bond interest, redemption, and financing costs. SFOTEC payments would begin on the date on which the new International Terminal becomes fully operational, which is currently projected to be December 10, 2000. Therefore, between December 10, 2000, and the agreement termination date of September 30, 2005 (a period of approximately four years and nine months), SFOTEC would pay the Airport a total fee amount of approximately $21,688,500 which would cover the full debt service costs of that 57 month period. The full debt service costs related to the $100,720,419 purchase of equipment and operating systems will be paid over a longer period (potentially up to 30 years given the life of the Airport Revenue Bonds, subject to future refinancing). The subject agreement represents four years and nine months of that longer repayment period. In addition, SFOTEC would also reimburse the Airport for the Airport's actual custodial service costs and utility charges. SFOTEC would allocate all debt service, custodial service, and utility charge costs between the airline users of the new International Terminal according to the formula outlined in Comment No. 3 below.

Since the fee amount paid by SFOTEC is intended to fully cover the Airport's debt service costs, the fee could increase or decrease based on (a) refinancing of the debt service on the underlying bonds which were issued by the City to purchase the equipment and operating systems, and (b) any additional bonds sold to finance further equipment purchases.

Source of Funds: Airport Revenue Bond funds previously appropriated by the Board of Supervisors to pay for the Airport's Master Plan. According to Ms. Schimke, additional bonds could be issued during the term of the agreement if the Airport purchases additional equipment and/or operating systems to replace worn out or outdated equipment and operating systems. However, Ms. Schimke states that no new purchases of equipment or operating systems are planned at this time.

Comments: 1. Ms. Schimke states that the monthly fee amount of $380,500 was determined on the basis of full cost recovery. The amount of $380,500, therefore, fully covers

the debt service and related financing costs paid by the Airport for the purchase of the equipment and operating systems listed in the Attachment.

2. In addition to the monthly fee, SFOTEC would also reimburse the Airport for:

- The actual costs of custodial services associated with the Airport-owned equipment and operating systems. Such custodial services are projected to cost $600,000 per year.
- The actual utility charges associated with the Airport-owned equipment and operating systems, which are projected to cost $2,274,000 per year. According to Ms. Schimke, such charges would be based on meter readings.

3. SFOTEC would allocate all of the costs payable to the Airport under the subject agreement to its 22 members and the non-member airline users[2] of International Terminal equipment and operating systems in accord with the terms of the SFOTEC's Member Agreement, an agreement which is (a) separate and distinct from the subject International Terminal Equipment Maintenance and Operating Agreement between SFOTEC and the Airport, and (b) not subject to Board of Supervisors approval. Presently two of the airlines with leases at the new International Terminal are not members of SFOTEC.

Once non-member airline users' fees (which are negotiated between the airlines) have been paid, the total net facility charges are allocated by SFOTEC to its member airlines on the basis that:

- 10 percent of payments would be based upon equal per capita sharing among all 22 SFOTEC members.
- 45 percent of payments would be based upon each SFOTEC member's number of flights.

[2] According to Ms. Schimke, the non-member airlines include (a) the two airlines with leases at the new International Terminal which are not SFOTEC members (Aeroflot and LACSA), (b) charter airlines, and (c) airlines whose San Francisco International Airport flight operations are handled by airlines with leases. The number of non-member airlines will vary over time.

- 45 percent of payments would be based upon each SFOTEC member's number of passengers arriving at and departing from the new International Terminal.

4. Prior to the day on which the new International Terminal is projected to become fully operational, which is currently projected to be December 10, 2000, the Airport will pay all the costs associated with training and testing the equipment and operating systems with live aircraft operations. This training and testing, which Ms. Schimke states is estimated to cost approximately $1,600,000, is part of the Airport's responsibility to activate all the new International Terminal's operating systems and, therefore, is funded from the supplemental appropriations previously approved by the Board of Supervisors for the Airport's Master Plan[3]. Prior to the date of the new International Terminal's full operation, the Airport will be responsible for all maintenance and repairs of the equipment and operating systems listed in the Attachment except for damage resulting from SFOTEC operations which would be paid by SFOTEC.

5. Upon termination or expiration of the subject agreement, SFOTEC would cease to have any rights to the equipment or operating systems. Under the subject agreement, the City could allow SFOTEC to continue paying fees to hold over SFOTEC's use of equipment and operating systems on a month-to-month basis after the subject agreement's expiration or termination. SFOTEC's month-to-month fee would be set at the monthly fee applicable during the month preceding the subject agreement's expiration or termination. According to Ms. Schimke, the month-to-month holdover provision is a standard provision which would allow the Airport extra negotiation time in the event of unforeseen circumstances. There is no maximum number of months for which the month-to-month holdover provision could apply.

[3] According to Ms. Schimke, the $1,600,000 budget is as follows:

(1) Security staff, passenger screening checkpoints, and baggage security	$570,000
(2) Baggage systems testing and interim maintenance	790,000
(3) Terminal systems support (operation of flight information displays and other communications equipment)	240,000
	$1,600,000

However, Ms. Schimke states that all of the subject agreement's provisions, except for those relating to the agreement's length of term, would remain the same. Therefore, any increased debt service costs for the Airport would trigger an increase in the fee paid by SFOTEC during the holdover period.

6. In the event that SFOTEC considers that equipment or operating systems require replacement, SFOTEC would provide the City with a written recommendation for such replacement. In the event that the City agrees with the recommendation, the City would replace the equipment and/or operating systems, and would then increase SFOTEC's fee under the subject agreement to cover the City's cost of acquiring the new equipment and/or operating systems. According to Ms. Schimke, such amended fees will not be subject to separate Board of Supervisors approval since, by approving the subject resolution, the Board of Supervisors would have already approved the method for setting the fee level. However, Ms. Schimke states that any future equipment and/or operating system purchases not paid for by existing Master Plan funds would require appropriation approval by the Board of Supervisors.

In the event the City disagrees with SFOTEC's replacement recommendations, the City is not required to replace the said equipment or operating systems so long as it is not withholding its consent unreasonably. Ms. Schimke advises that SFOTEC would still be able to purchase the equipment or operating systems itself and retain it as SFOTEC-owned equipment. Ms. Schimke also notes that both the Airport and SFOTEC share an equal interest in maintaining safety standards and Federal Aviation Authority requirements.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

Attachment

City-Owned International Terminal Equipment
Maintained and Operated by SFOTEC

	Total Cost	Debt Service
Baggage Handling Security Screening	4,083,862	176,427
Common Use Terminal Equipment (CUTE	8,317,849	370,093
Gate Management System (GMS)	1,455,359	64,755
Baggage System Security Screening Devices	4,794,000	211,731
Preconditioned Air	4,438,416	203,964
Ground Power	2,552,003	118,990
Aircraft Docking	391,680	18,263
Gateroom Podiums	714,000	33,292
Jetbridges	14,780,008	689,143
Potable Water	1,060,800	49,462
Gateroom Seating	3,672,000	170,265
Baggage System Security Screening Devices	50,357,442	2,245,447
Radio Frequency ID Baggage Tracking	4,103,000	213,731
	100,720,419	**4,565,563**
		Round to
		4,566,000

54
8/00

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, October 18, 2000 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:06 a.m.

001743 [Government Funding, Department of Consumer Assurance (formerly Dept. of Agriculture/Weights and Measure), to combat a disease deadly to grape vines]

Supervisor Newsom

Ordinance appropriating $53,500 of other state grants and subventions to fund a program to control the spread of glassy winged sharpshooter pest that threatens the wine industry of Northern California, for the Department of Consumer Assurance for fiscal year 2000-2001. (Controller)

(Companion measure to File 001742.)

10/4/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; David Frieders, Deputy Director, Department of Consumer Assurance.
Amendment of the Whole placing $8,321 on reserve; changing 6218 position to "G"; and providing retroactivity to September 1, 2000.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance retroactively appropriating $53,500 of other state grants and subventions to fund a program to control the spread of glassy winged sharpshooter pest that threatens the wine industry of Northern California, for the Department of Consumer Assurance for fiscal year 2000-2001, reserving $8,321 for potential overtime expenses. (Controller)

(Companion measure to File 001742.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001742 [Public Employment, Department of Consumer Assurance (formerly Dept. of Weights and Measure)]

Ordinance amending Ordinance No. 181-00 (Annual Salary Ordinance, 2000/01) reflecting the creation of 1.25 positions (Class 6218 Inspector Trainee) in the Department of Consumer Assurance. (Human Resources Department)

10/4/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; David Frieders, Deputy Director, Department of Consumer Assurance.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001707 **[Lease of office space at 3801 Third Street, for DHS-Family and Children Services Program]**

Resolution authorizing the lease of real property at 3801 Third Street, Suite 114, 205 and 235 for the Department of Human Services. (Real Estate Department)

10/4/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Tony DeLucchi, Real Estate Department. Amendment of the Whole to address construction cost issues.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001715 **[This project will reduce odors and air pollution in the Bayview/Hunters Point Neighborhood from the discharge of raw digester gas into atmosphere]**

Resolution approving the design-build agreement for the Southeast Cogeneration Facility Contract, CS-520. (Public Utilities Commission)

(Fiscal impact.)

9/27/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; David Henzl, Hetch Hetchy, Water and Power, Supervisor Yee; Supervisor Ammiano; Marie Harrison; Espanola Jackson; Kevin Barry, Local 39. Continued to November 15, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001412 **[Butterfly Museum]**

Supervisor Bierman

Hearing to consider the status of the Environmental Impact Report and fund raising campaign for the proposed Butterfly Museum.

7/31/00, RECEIVED AND ASSIGNED to Transportation and Land Use Committee

9/26/00, TRANSFERRED to Finance and Labor Committee.

10/4/00, CONTINUED. Continued to October 18, 2000.

Heard in Committee. Speakers: Supervisor Bierman, Hillary Gitelman, Environmental Review Officer, Planning Department; Supervisor Becerril; Eula Walters, Citizens for Open Space, Susan Tibbon; David Graves, Kids for Parks; Arron Pesken, Telegraph Hill Dwellers; female student, Urban High School; Norman Rolfe, San Francisco Tomorrow; Arnold Levine; Gloria Gonzalez, Bill Wilson; Michael DeNunzio; Barbara Deutech; Andrea O'Leary; Betty McGovern, Park Rescue; Brian Sullivan; Janet Morcom, Golden Gateway Residents Association; Lawrence Temey, May Day 2001; Steve Williams, Golden Gateway Common; Esther Waeste; Maria Matson; Carol Blair, S. F. Tree Council; Megan Levinton; Tom Flowers; Ernestine Weiss; Denise D'Anne; Bob Coleman; Angela Chung Lee, Korean American Association; Supervisor Ammiano.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001324 **[Bayview Hunters Point Foundation]**

Supervisor Ammiano

Hearing to inquire into: (1) the fiscal condition and budget of the Bayview Hunters Point Foundation; (2) the status of the contract negotiations between the City, the BHPF, and SEIU Local 790; (3) the status of the technical assistance funded by the City and other issues pertaining to contract negotiations.

7/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Continued to October 25, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 11:40 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

October 12, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: October 18, 2000 Finance and Labor Committee Meeting

Items 1 and 2 - Files 00-1743 and 00-1742

Department: Department of Consumer Assurance, Regulatory Compliance and Agricultural Standards

Items: Supplemental Appropriation ordinance of $53,500 of State grants and subventions to fund a program to control the spread of the Glassy Winged Sharpshooter pest that threatens the wine industry of Northern California (File 00-1743).

Ordinance amending the FY 2000-01 Annual Salary Ordinance (No. 181-00) to reflect the creation of 1.25 positions in the Department of Consumer Assurance (File 00-1742).

Amount: $53,500

Source of Funds: California Department of Food and Agriculture, Contract No. 990808 for up to $76,180

Budget:

Permanent Salary	
1 6218 Inspector Trainee	$23,215
Temporary Salary	
.25 1424 Clerk Typist	5,000
Fringe Benefits	6,035
Other Current Expenses	11,000
Materials and Supplies	8,250
Total	$53,500

Description: On May 22, 2000, the California Department of Food and Agriculture entered into an agreement with the City and County of San Francisco, through the Department of Consumer Assurance, for the State to fund up to $76,180 to implement a program from March 1, 2000 through June 30, 2001 to help control the spread of the Glassey Winged Sharpshooter. The Glassey Winged Sharpshooter is an insect that can host and feed on a wide variety of ornamental and crop plants, but is a particular threat to California vineyards due to its ability to spread the bacterium that causes Pierce's disease. Pierce's disease is deadly to grapevines and there is no effective treatment for Pierce's disease. The Glassy Winged Sharpshooter is now found throughout southern California and is threatening to move into northern California. Since the funding for the agreement between the State and the City was not finalized until after the City's FY 2000-01 budget was approved, these funds were not included in the City's annual budget.

The proposed Annual Salary Ordinance (File 00-1742) would create two new positions (one full-time 6218 Inspector Trainee and one .25 1424 Clerk Typist), for a total of 1.25 FTE positions. The proposed supplemental appropriation ordinance (File 00-1743) for $53,500 would be used to fund these two new positions and related expenses, including rent of renovated additional space and materials and supplies.

The 6218 Inspector Trainee position would be responsible for performing inspections and examining plants in San Francisco pertaining to the existence of the Glassy Winged Sharpshooter insect for egg masses and live insects at nurseries, landscapers and the wholesale flower market, in addition to the terminals of United Parcel Service (UPS), Federal Express and the Post Office. Mr.

Sid Baker of the Department of Consumer Assurance advises that in addition to these inspections, the 6218 Inspector Trainee would be responsible for trapping, identification, containment and return of the suspected insects and plants to the location from which they were shipped, with the costs to return the plants to be paid by the original shipper. According to Mr. Baker, the proposed program will not involve any spraying or treatment of the insects or plants. Mr. Baker advises that the 6218 Inspector Trainee would also not be responsible for inspections at the San Francisco Airport, which will be under the jurisdiction of the San Mateo County Agriculture Department. The proposed 1424 Clerk Typist position would be responsible for maintaining the records, files and reports required for this State program.

Comments:

1. Mr. Baker advises that most of the neighboring counties have also applied for these State funds, and are implementing similar programs in their jurisdictions, including Marin, Contra Costa, Alameda, San Mateo, Napa and Sonoma Counties. According to Mr. Baker, existing staff in the Department of Consumer Assurance have already found Glassy Winged Sharpshooter egg masses in shipments of landscaped products in San Francisco.

2. Mr. Baker advises that, as noted above, the City entered into an agreement with the State for the State to fund up to $76,180 to help control the spread of the Glassey Winged Sharpshooter for the period from March 1, 2000 through June 30, 2001. However, Mr. Baker advises that this agreement is a billable contract for the hours worked. According to Mr. Baker, the $53,500 included in the subject supplemental appropriation was based on an estimate of the number of hours that could be billed assuming a start date of September 1, 2000 through June 30, 2001.

3. Given the delay in the submittal of the subject ordinances to the Board of Supervisors, Mr. Baker estimates that the two positions would not be hired and begin billing hours to this contract until at least mid-November, 2000. Therefore, assuming a start date of November 15, 2000, the cost for the proposed two positions can be reduced, as shown below:

	Proposed Supplemental Based on a Start Date of 9/1/2000	Recommended Amount Based on a Start Date of 11/15/00	Recommended Reductions
Funding Sources			
Other State Grants and Subventions	$53,500	$45,179	$8,321
Funding Uses			
Permanent Salary – 1.0 6218 Inspector Trainee	$23,215	$17,555	$5,660
Temporary Salary - 0.25 1424 Clerk Typist	$5,000	$3,810	$1,190
Fringe Benefits	$6,035	$4,564	$1,471
Other Current Expenses	$11,000	$11,000	0
Materials and Supplies	$8,250	$8,250	0
Totals	$53,500	$45,179	$8,321

As shown above, although the 1424 Clerk Typist position is funded with Temporary Salary funds, the one 6218 Inspector Trainee position is funded with Permanent Salary funds. Mr. Baker advises that when the subject agreement and associated State funding ends on June 30, 2001, these positions will be terminated. Therefore, the one 6218 Inspector Trainee position should be coded as a "G" position to specifically designate this permanent position as a grant funded position, to ensure that the subject positions will be terminated when the State funds supporting these positions ends.

4. Mr. Baker advises that the $8,250 for Materials and Supplies is for the one-time cost of purchasing personal computers, a printer, related software, Department of Telecommunications and Information Services (DTIS) support, desks, chairs and related lab equipment needed for the proposed program.

5. According to Mr. Baker, the $11,000 of costs for Other Current Expenses is intended to cover the cost of renting additional renovated space at 501 Cesar Chavez Street, adjacent to the existing Weights and Measures staff, retroactive to September 1, 2000 through June 30, 2001, at a total cost of $9,300 ($930 per month for ten months). This additional leased space costs $1.55 per square foot for 600 square feet of space, which Mr. Tony Delucchi of the Department of Real Estate advises is in the low range of the fair market rate for this space, especially given the increasingly high costs of rental property currently in the City. Mr. Baker reports that this additional space was leased as of September 1, 2000 and the Department is currently incurring the costs of this additional space, which would be repaid with the subject State funds. Therefore, approval of the proposed supplemental appropriation (File 00-1743) should be approved retroactive to this September 1, 2000 lease date. In addition, Mr. Baker advises that the leased space needed to be retrofitted to add a lab table, sink and bench area at an estimated one-time cost of $1,700, for a total estimated cost of $11,000.

According to Mr. Baker, at the conclusion of the subject Glassy Winged Sharpshooter State Program, the Department of Consumer Assurance intends to continue to rent this additional space, effective July 1, 2001, at a monthly cost of $930 ($11,160 annually) for the laboratory and storage needs of the existing Weights and Measures Inspectors and other Department of Consumer Assurance staff. Mr. Baker reports that the cost for such additional leased space would be included in the Department's FY 2001-02 operations budget, which is primarily funded with State and General Fund revenues. The Budget Analyst notes that approval of this leased space at an additional annual State or General Fund cost of $11,160 for the Department's ongoing operational needs would be subject to the Mayor and Board of Supervisors approval during the FY 2001-02 budget process. The Budget Analyst would review this request for additional space during the FY 2001-02 budget review.

Recommendations: 1. Reduce the proposed supplemental appropriation ordinance (File 00-1743) by $8,321 from $53,500 to $45,179 for Permanent and Temporary Salaries and the related Fringe Benefits, as detailed in Comment No. 3, in order to reflect a start date of November 15, 2000 instead of September 1, 2000.

2. Amend the proposed supplemental appropriation ordinance (File 00-1743) and the Annual Salary Ordinance (File 00-1742) to designate the one 6218 Inspector Trainee as a G, grant-funded position.

3. Amend the proposed supplemental appropriation ordinance (File 00-1743) to provide for retroactive approval of the subject funds to September 1, 2000 to cover the cost for the lease of additional space.

4. Approve the proposed ordinances, as amended.

BOARD OF SUPERVISORS
BUDGET ANALYST

Item 3 - File 00-1707

Department: Department of Human Services (DHS)
Department of Administrative Services, Division of Real Estate (DRE)

Item: Resolution authorizing a new lease of real property at 3801 Third Street, Suites 114, 205, and 235, for the Department of Human Services (DHS), Family and Children Services

Location: 3801 Third Street, Suites 114, 205, and 235

Purpose of Lease: To permit the relocation of 34 existing positions and 5 new positions in the Department of Human Services, Family and Children Services to a location that is closer to most of their clients, which are in the Bayview community.

Lessor: Bayview Plaza, LLC

Lessee: City and County of San Francisco

No. of Sq. Ft. and Cost Per Month: 9,207 square feet at approximately $2.00 per square foot per month, for a total of $18,414 per month ($220,968 annually). In addition, the City would pay the lessor $666.67 per month ($8,000 annually) for the five-year duration of the lease, or approximately $40,000, which includes simple interest at a rate of 10 percent, or an annual interest rate of 1.92 percent over the five year lease, to reimburse the lessor for the cost of approximately $36,364 in tenant improvements made by the lessor. Also, the rent would be subject to annual CPI adjustments.

Annual Cost: $228,968

Term of Lease: December 1, 2000 through November 30, 2005 (five years).

Utilities and Janitorial Services: The City would be required to pay utilities and janitorial services, which Ms. Claudine Venegas of DRE estimates would be approximately $0.25 per square foot per month, or approximately $2,302 per month ($27,624 annually).

Right of Renewal: None.

Source of Funds: Budgeted funds from DHS's FY 2000-2001 budget, as previously approved by the Board of Supervisors.

Description: According to Mr. Randy Roebuck of DHS, the proposed leased premises would be occupied by a total of 34 existing positions and 5 new positions, or a total of 39 positions all previously approved in the FY 2000-2001 budget by the Board of Supervisors. These 39 positions would consist of staff from the following seven Family and Children Services Units: (1) The Foster Care Licensing Unit, which recruits, trains, and licenses foster parents; (2) The Foster Care Eligibility Unit, which determines whether Federal and/or State funding sources are available to parents who would provide foster care for a given child; (3) The Guardianship Interstate Compact on the Placement of Children Unit, which monitors San Francisco children placed in foster homes outside of California, and out-of-state children who are placed in foster homes in San Francisco; (4) The Family Preservation Project, which provides peer counseling to parents; (5) The Rate Setter and Child Care Liaison Unit, which reimburses foster parents for costs not covered by regular funding sources; (6) The Faith Initiative Project, which helps churches work with families to prevent removal of a child from a family and placement into foster care, and (7) The Foster Parent Kinship Resource Room, which provides counseling and literature to foster parents.

Suite 114 of the proposed leased premises at 3801 Third Street, consisting of 1,340 square feet, would be occupied by a total of one Family and Children Services staff person from the Foster Care Resource Room, as part of DHS's desire to be located in the Bayview Hunters Point area where most of its clients live. While the one employee would have a total of approximately 1,340 square feet, the Foster Care Resource Room will contain a conference room and a training room for foster parents. Currently, the Foster Care Resource Room occupies approximately 200 square feet at the City-leased building at 225 Valencia Street. DHS plans to use the space formerly occupied by this Room to expand other DHS Family and Children Services Units, according to Mr. Roebuck (see Comment No. 3).

Suite 200 of the proposed leased premises, consisting of 6,122 square feet, would be occupied by a total of 24 existing Family and Children Program staff, including the Foster Care Licensing Unit and the Foster Care Eligibility Unit, as part of DHS's desire to be located in the Bayview Hunters Point area where most of its clients live. Suite 200 would also be occupied by 3 new Family and Children Program employees, who would constitute the Family Preservation Project. Therefore, a total of 27 employees would each have an average of approximately 227 square feet. Currently, the 24 existing employees occupy approximately 4,800 square feet, or an average of approximately 200 square feet per employee, at the City-leased building at 225 Valencia Street (the Foster Care Licensing Unit) and at the City-owned building at 170 Otis Street (the Foster Care Eligibility Unit). DHS plans to use the spaces formerly occupied by these employees to expand other DHS Family and Children Services Units, according to Mr. Roebuck.

Suite 235 of the proposed leased premises, consisting of 1,745 square feet, would be occupied by a total of nine existing Family and Children's Program staff, including the Guardianship Interstate Compact on the Placement of Children Unit and the Rate Setter and Child Care Liaison Unit, as part of DHS's desire to be located in the Bayview Hunters Point area where most of its clients live. Suite 235 would also be occupied by two new Family and Children Program employees, who would constitute the Faith Initiative Project. Therefore, a total of 11 employees would each have an average of approximately 159 square feet. Currently, the nine existing employees occupy approximately 1,800 square feet, or an average of approximately 200 square feet per employee, at the City-leased building at 225 Valencia Street (the Rate Setter and Child Care Liaison Unit) and at the City-owned building at 170 Otis Street (the Guardianship Interstate Compact on the Placement of Children Unit). DHS plans to use the spaces formerly occupied by these employees to expand other DHS Family and Children Services Units, according to Mr. Roebuck.

Comments:

1. According to Ms. Venegas, the proposed rent of $2.00 per square foot represents fair market value.

2. According to the terms of the proposed lease, the City would have the first right of refusal on other space that may become available in the 3801 Third Street facility.

3. According to Mr. Roebuck, all of the space that would be vacated by the five existing Units[1] that would occupy the building at 3801 Third Street would be filled by personnel from other DHS Family and Children Services Units that are undergoing expansion. Mr. Roebuck states that the expansion consists of an additional 28 new positions previously approved by the Board of Supervisors in the DHS FY 2000-2001 budget, which have been added to various Units of Family and Children Services. If the new subject lease space at 3801 Third Street is approved, it would result in vacating a total of approximately 6,800 square feet of space in the 225 Valencia Street and 170 Otis Street buildings, to be used by other DHS Units. Mr. Roebuck estimates that in total 34 employees from other DHS Units would fill the vacated space at 225 Valencia Street and 170 Otis Street, which would provide an average of 200 square feet per employee, in order to (a) provide for the expanded programs of DHS Family and Children Services Units (b) alleviate various overcrowded conditions, and (c) consolidate employees performing similar functions at one location.

4. According to Ms. Venegas, the $40,000 in estimated renovation costs, including ten percent simple interest over five years (or 1.92 percent annually), represents a maximum estimate. The proposed resolution and proposed lease both currently state that the City will make payments based on construction costs, including interest, of $40,000. However, Ms. Venegas notes that construction costs could be less than this maximum estimate. Thus, the proposed resolution should be amended to provide that the City would make monthly payments to amortize $40,000, or would make monthly payments to amortize the actual cost of construction at 10 percent interest, whichever is the lesser of the two.

Recommendations: 1. Amend the proposed resolution to provide that the City would make monthly payments to amortize $40,000, or would make monthly payments to amortize the actual cost of

[1] According to Mr. Roebuck, two of the seven Units that would occupy the proposed lease space are new, and do not currently occupy any space.

construction, plus 10 percent interest, whichever is the lesser of the two, in accordance with Comment No. 4.

2. Approve the proposed resolution, as amended.

Item 4 - File 00-1715

Department: Public Utilities Commission (PUC)

Item: Resolution authorizing a Design-Build Contract between the PUC and the Sierra Diesel Detroit Allison (SDDA) company to construct a Cogeneration Facility at the Southeast Water Pollution Control Plant.

Contract Amount: The subject resolution would approve a Design-Build Contract between the City and Sierra Diesel Detroit Allison (SDDA) in an amount not to exceed $3,181,743. According to Ms. Laurie Park of the PUC, Acting General Manager of Hetch Hetchy, the maximum amount the PUC would be authorized to pay SDDA under the subject contract is $3,181,743. However, the proposed contract states that, if necessary, the PUC would be authorized to adjust the total contract amount downward, based on the liquidated damages outlined in Comment No. 10 below.

Source of Funds: Renewable Energy Generation Project Appropriation, Hetch Hetchy FY 2000-2001 Budget

Budget: A summary budget for the proposed $3,181,743 contract with Sierra Diesel Detroit Allison is as follows:

Project	Amount
Installation of Cogeneration Engine	$794,147
Design and Construction of Engine	770,066
Electrical Instrumentation Equipment	216,475
Fuel System	170,703
Overhead	117,159
Interest Expense	112,028
Engineering and Management	89,000
Labor for Engine Components	65,065
Cooling System	64,150
Exhaust System	53,908
Additional digester gas storage	41,500
Miscellaneous Expenses*	39,015
Radiator Cooling System	33,438
Lubrication System	30,220
Starting System	25,531
General and Administration	22,531
Generator	13,974
One-year warranty (in addition to standard warranty of one year)	12,000
Control System	8,550
Bases (Concrete Pad)	1,262
Construction Contingency (3 Percent of Total Contract Costs)	95,468
Subtotal	$2,776,190
Net Profit (14.6 percent)	405,552
Total Contract Cost	**$3,181,742**

*Miscellaneous Expenses in the above budget include testing, travel, special tools, manuals, and shipping costs.

Description: The subject resolution would authorize a Design-Build Contract to design and build a Cogeneration Facility at the Southeast Water Pollution Control Plant in a maximum amount of $3,181,743 between the PUC and the Sierra Diesel Detroit Allison (SDDA), a subsidiary of Stewart & Stevenson, Inc. The proposed Cogeneration Facility would allow the PUC to capture gas emitted during the sewage treatment process at the Southeast Water Pollution Control Plant and reuse that gas to generate its own electricity, therefore reducing the amount of electricity that Hetch Hetchy would be required to supply the Southeast Water Pollution Control Plant from other sources in order to operate. In addition, Ms. Park of the PUC advises that

reusing these digester gases would reduce odors currently created by the Plant in the Bayview/Hunter's Point neighborhood. (See Attachment I, provided by the PUC, for additional details on the proposed Cogeneration Facility). Ms. Park advises that the PUC will receive a total estimated $1.15 million subsidy (approximately $230,000 annually) to help fund development costs of the proposed Cogeneration Facility from the California Energy Commission (CEC) during the first five years of the Cogeneration Facility operation, as discussed in Comment No. 8 below.

According to the PUC, the PUC issued a Request for Qualifications (RFQ) to 10 firms and received responses from two firms. Subsequently, the PUC issued a Request for Proposal (RFP) in February of 1999 to design and construct the subject Cogeneration Facility and received two proposals, one from SDDA and the other from Biller-McCoy Builders, Inc., as stated in Attachment I, provided by the PUC (see Comment No. 7 below). According to Ms. Park, the PUC considered SDDA's to be the only responsive bidder, since Biller-McCoy Builders had not participated in the required Request for Qualifications process, as explained in Attachment I. In any event, SDDA submitted the lowest bid of $3,094,804,[1] which was $3,533,808 less than the cost proposal of $6,628,612 submitted by Biller-McCoy Builders, Inc. (see Comment No. 7 below). According to Ms. Park, SDDA's bid was $3,533,808 less than the bid submitted by Biller-McCoy Builders largely due to the type of Cogeneration Facility SDDA proposed to build, which is a more conventional approach to this kind of project. In September of 1999, in addition to the fact that the PUC considered SDDA to be the only responsive bidder, the PUC adopted a resolution approving the selection of SDDA, based on the criteria discussed in Attachment I, and authorizing the PUC to negotiate a contract with SDDA.

According to Ms. Park, the RFP had requested that firms submit cost proposals based on a variety of purchase

[1] According to Ms. Park, SDDA's original bid of $3,094,804 increased by $86,939 to the total of the subject Design-Build Contract of $3,181,743 because of additional requests made by the PUC during its contract negotiation with SDDA, including additional digester gas storage and an additional radiator.

options, including the City purchasing outright the Cogeneration Facility upon its completion, as well as the firm owning the Cogeneration Facility and selling the electricity generated to the City. Ms. Park advises that PUC staff, after selecting SDDA for the project, determined that it would be more cost effective for the City to purchase the Cogeneration Facility outright, as stated in Attachment I. According to Ms. Park, the PUC then decided to negotiate with SDDA for a separate Operation and Maintenance Contract in the amount of $1,157,540, in addition to the subject Design-Build Contract (see Comment No. 2 below). According to Ms. Park, at its PUC meeting of September 12, 2000, the PUC approved the subject Design-Build Contract but voted to continue the proposed separate Operation and Maintenance Contract pending further negotiations and analysis of the contract's potential costs and benefits to the City.

Comments:

1. According to Ms. Park, construction on the proposed Cogeneration Facility is expected to begin in December of 2000 and be completed by December 31, 2001. According to Ms. Park, the scheduled time for this contract is 305 calendar days to substantial completion and sixty consecutive calendar days to final completion, for a total of 365 days, or one year. Ms. Park advises that the PUC previously planned to complete the proposed Cogeneration Facility by December of 2000. However, an extended negotiation process between the PUC and SDDA has postponed the completion date for one year until December of 2001, according to Ms. Park.

2. According to Ms. Park, the amount of the Operation and Maintenance Contract would be a total of $1,157,540 over the five years of the contract ($231,508 per year), commencing upon completion of the Cogeneration Plant, approximately in January of 2002 and terminating in January of 2007. However, as stated previously, the PUC has not yet approved the proposed Operation and Maintenance Contract. Ms. Park advises that PUC staff pursued the Operation and Maintenance Contract with SDDA in order to guarantee the full California Energy Commission (CEC) subsidy by holding the contractor responsible for meeting CEC requirements for electricity generation during the first five years of operating the

Cogeneration Facility. Under the proposed Maintenance and Operation contract, SDDA would be required to compensate the PUC for any lost CEC subsidy funds resulting from sub-optimal performance of the Cogeneration Facility during the first five years of operation, according to Ms. Park.

Ms. Park advises that the PUC decided to negotiate the Operation and Maintenance Contract on a sole-source basis with SDDA and has not undergone a competitive bidding process for the Operation and Maintenance Contract for the Cogeneration Facility, because "it is unlikely that another contractor would be willing to guarantee the performance of a plant designed and constructed by someone else," as stated in Attachment I. Ms. Park advises that the PUC, in the process of negotiating a $1,157,540 contract amount ($231,508 per year) with SDDA, confirmed that the contract amount would be roughly equal to what it would cost the PUC to operate and maintain the facility itself.

3. According to Ms. Sheryl Bregman of the City Attorney's Office, the Operation and Maintenance Contract is not subject to approval of the Board of Supervisors since the proposed five-year contract for $1,157,540 does not meet provisions in the Charter, Section 9.118, requiring Board of Supervisors approval of contracts over $10 million and/or with terms of 10 years or more.

4. Attachment I, provided by the PUC, explains that the PUC issued a single RFP for the design and construction of the proposed Cogeneration Facility, as opposed to using PUC employees and resources, and as opposed to issuing an RFP for the design portion of the project and undergoing a separate competitive bidding process for the construction of the Cogeneration Facility, because of the specialized nature of designing and building the Cogeneration Facility and due to the need to complete the project as quickly as possible in order to qualify for the full amount of an estimated $1.15 million subsidy from the California Energy Commission (CEC), as discussed in Comment No. 8 below.

5. As stated previously, under the proposed Operation and Maintenance Contract with SDDA, which is not the subject of this resolution, the PUC would pay to SDDA $231,508

annually for the five years of the contract, for a total of $1,157,540. After the five-year Operation and Maintenance Contract with SDDA expires, approximately in January of 2007, the PUC will operate and maintain the Cogeneration Facility using Civil Service employees, according to Ms. Park. Ms. Park advises that operation and maintenance costs to the City for the 15 years after the initial five-year contract with SDDA would begin on an annual basis at an estimated $261,604 for the year 2007, and gradually increase annually with the age of the Cogeneration Facility to account for inflation, major overhauls and an increasing need for maintenance the longer the facility is operating, as shown in Attachment II, provided by the PUC. Therefore, total operation and maintenance costs for the first 20 years of operating the proposed Cogeneration Facility would be an estimated $6,785,110 (a total of $1,157,540 for the Operation and Maintenance Contract with SDDA for the first five years of the contract, a total of $4,865,551 in costs to the City for the following 15 years of operating the facility and a total of $762,019 for major overhauls over those 15 years). The PUC did not provide maintenance and operation cost estimates for the City beyond the first 20 years of operation of the Cogeneration Facility.

According to Ms. Park, the PUC completed an analysis finding that the costs to the PUC of maintaining and operating the Cogeneration Plant using City employees would be roughly equal to the cost of a Operation and Maintenance Contract with SDDA, as stated in Attachment I. However, the PUC still decided to pursue the Operation and Maintenance Contract with SDDA for the first five years, rather than maintain and operate the facility itself, because the goal in having the Cogeneration Facility maintained and operated by the same company that built it was to guarantee the full CEC subsidy by holding the contractor responsible for meeting CEC requirements for electricity generation during the first five years of operating the Cogeneration Facility, as stated in Attachment I.

6. According to Ms. Park, the PUC requested that HMH Resources, a private consulting firm, conduct an economic and risk analysis of the proposed Cogeneration Facility, as part of HMH Resources' multi-year contract with the PUC. According to the cost-benefit analysis completed by HMH

Resources in September of 1999, summarized in Attachment III, the proposed Design-Build Contract and Operation and Maintenance Contract with SDDA would generate a total net savings to the City of an estimated $16,740,528 over the first 20 years of operating the Cogeneration Facility (which could continue to operate beyond the first 20 years) due primarily to: (a) the reduced cost of electricity to Hetch Hetchy since the Cogeneration Facility would produce its own electricity, and (b) the California Energy Commission (CEC) subsidy. However, the Budget Analyst notes that the operation and maintenance costs included in the cost-benefit analysis total $4,630,160 over the first 20 years of operation, remaining constant every year at $231,508 and not accounting for the annual cost increases for inflation and related costs discussed in Comment No. 5 above and shown in Attachment II, provided by the PUC. Using instead the total estimate of $6,785,110 for operation and maintenance, which does account for increasing costs over 20 years, would reduce the total estimated savings to the City over 20-years by $2,154,950 ($6,785,110 less $4,630,160) from $16,740,528 to $14,585,578. According to the PUC, additional benefits to the City of the proposed Cogeneration Plant would be the use of a renewable resource by the PUC that would otherwise be wasted and a reduction of odorous gases emitted from the Southeast Water Pollution Control Plant. The cost-benefit analysis prepared by HMH Resources and summarized in Attachment III assumes that the Cogeneration Facility would be completed and operating by January of 2001. However, the estimated opening date for the facility is now January of 2002.

7. As stated previously, the PUC received two proposals in response to the RFP to design and build the proposed Cogeneration Facility. According to Ms. Park, the two firms provided the following cost proposals in their applications:

Firm	Design-Build Cost Proposal
Biller-McCoy Builders, Inc.	$6,628,612
SDDA	$3,094,803

According to Ms. Park, SDDA's original bid of $3,094,804 increased by $86,939 to the total of the subject Design-Build Contract of $3,181,743 because of additional requests made by the PUC during its contract negotiation with SDDA, including additional digester gas storage and an additional radiator. As previously stated, SDDA was considered to be the only responsive bidder. In addition to the cost of the SDDA proposal, the PUC considered in its selection the design submitted by SDDA and the experience of SDDA in building and operating such facilities, as stated in Attachment I.

8. According to Ms. Park, and as stated in the subject resolution, the State California Energy Commission (CEC) has awarded to the PUC a subsidy of $0.139 per kilowatt-hour of electricity produced by the proposed Cogeneration Facility during its first five years of operation. According to Ms. Park, this subsidy will provide a total estimated $1.15 million to the PUC during the first five years the Cogeneration Facility is operating (approximately $230,000 annually). According to Ms. Park, in order for the PUC to receive the full amount of the estimated $1.15 State CEC subsidy, the proposed Cogeneration Facility must be completed by December 31, 2001 and, once operating, must meet certain requirements for electricity generation.

9. As stated previously, the proposed resolution would approve a contract between the City and Sierra Diesel Detroit Allison (SDDA) to design and build a Cogeneration Facility at the Southeast Water Pollution Control Plant. However the subject resolution does not specify the maximum contract amount of $3,181,743. Therefore, the subject resolution should be amended to include the exact contract amount of not to exceed $3,181,743.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

10. The proposed contract states that the PUC would be authorized to adjust the total contract amount of $3,181,743 downward during performance or upon completion of the design and construction work if SDDA failed to meet the performance and contract term requirements. The contract documents provide the following standards for assessing liquidated damages SDDA would be required to pay to the PUC:

- $3,100 per calendar date for failure to meet substantial completion after 305 days.
- $750 per calendar day for failure to meet final completion after 365 days.
- $7,700 per kilowatt for electric output below 1954 kilowatts.
- $9000 per 10 British Thermal Units (BTU) per kilowatt hour for fuel consumption above the amount specified in the contract.
- $5000 per 10,000 BTU for thermal output below amount specified in contract.

Ms. Park advises that the liquidated damages above are designed to compensate the PUC for any CEC subsidy funds lost due to the Cogeneration Facility not being completed by the December 31, 2001 deadline, as stated in Attachment I. The City will make its first payment of 90 percent of the total contract cost to SDDA after the City has verified that SDDA has reached substantial completion of the Cogeneration Facility and that the City has verified that the facility is operating according to the terms outlined in the contract. In the subject Design-Build Contract, "substantial completion" is defined as 30 days of continuous operation of the Cogeneration Facility, during which time the facility must meet the performance standards outlined in the contract. The City will pay the remaining 10 percent of contract costs to SDDA after the City has verified that the SDDA has reached final completion of the project.

11. According to Mr. Carlos Jacobo of the PUC, the proposed $3,181,743 in contract funds are included in Hetch Hetchy's Renewable Energy Generation Project Budget No. CUH943, which were appropriated in Hetch Hetchy's FY 2000-2001 budget. Mr. Jacobo reports that this project budget currently has a balance of $3,200,000.

According to Ms. Park, the remaining $18,257 ($3,200,000 less the contract amount of $3,181,743) will be used to fund PUC staff time in coordinating work with the developer on the premises of the Southeast Water Control Pollution Plant.

12. According to the subject Design-Build Contract, SDDA is required to comply with Human Right Commission Subcontracting goals for the proposed Design-Build Contract, which are 20 percent combined MBE/WBE for the design services and 30 percent combined MBE/WBE for the construction services.

Recommendations:

1. Amend the proposed resolution to state the contract amount cannot exceed $3,181,743 between the PUC and SDDA, in accordance with Comment No. 9 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
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WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

MEMORANDUM

TO: Harvey Rose, Board of Supervisors' Budget Analyst

FROM: Laurie Park, Hetch Hetchy - Acting General Manager LPark

SUBJECT: Southeast Cogeneration Project

DATE: October 12, 2000

BACKGROUND

Through the sewage treatment process, the Southeast Water Pollution Control Plant (SEWPCP) produces an average of 1,100,000 standard cubic feet (scf) of digester gas per day. Digester gas consists mostly of methane and carbon dioxide. It is often used as a fuel to produce thermal and/or electric energy. Digester gas is considered a renewable resource.

Currently, 40% of the digester gas produced by the SEWPCP is recycled to the boiler system to produce heat for the digesters and hot water supply for buildings. The excess 60% is flared to the atmosphere.

This project would utilize the digester gas to fuel a two megawatt cogeneration plant. The plant will use approximately 78% of the digester gas to produce both heat and electricity. The remaining digester gas will continue to be used to heat the existing boilers, but will be supplemented by the thermal energy produced by the cogeneration plant. The electricity will be sold by HH to the SEWPCP for its use on-site. By eliminating operation of the waste gas flares, odors from the SEWPCP will be reduced. In addition, this Project will provide 2 MW of emergency generation capacity in event of an outage on the PG&E electric grid .

BIDDING PROCESS

The City obtained a subsidy from the California Energy Commission (CEC) towards the construction of this renewable project. The subsidy is payable on the first 5 years' output generated by the plant at a rate of $0.0139 per kilowatt-hour (kWhr). Based on total estimated generation of 82,605,000 kWhrs over this period, the value of the subsidy is approximately $1.1 million. In order to earn the full CEC subsidy to which this project is entitled, the cogeneration facility must be operational by January 1, 2002.

Members of the Southeast community indicated a desire to allow bidders of cutting edge technologies with superior environmental performance (such as fuel cells which produce virtually no emissions) to participate in the bidding process. The bids were expected to range from $5 million for conventional technologies with a 15-20 year life to as high as $50 million for a prototype 2 megawatt fuel cell with a 2-3 year life that one fuel cell developer was promoting.

SFPUC staff decided to approach the bid process on the basis of bid price per kilowatt hour generated by the proposed Project. By this means, there would be a reasonable basis for comparing proposals from developers of projects employing vastly different technologies with very different operating characteristics, costs and efficiencies. A two step bidding process was employed: a "Request for Qualifications" ("RFQ") was first issued, followed by a "Request for Proposals" ("RFP") from bidders deemed qualified.

The original project structure contemplated allowing a contractor to construct a Project which beneficially employed the digester gas from the SEWPCP and sell the output to HH. A condition of the RFQ was that the cost of the output of the proposed Project could not exceed the price that SEWPCP paid for electricity, approximately $0.075 per kilowatt hour (kWhr). A further condition was that the developer should be capable of assuming responsibility for the complete design, construction, operation and maintenance of its proposed Project. In this manner, bidders with prototype technologies such as the fuel cell developer had the opportunity to compete with developers employing conventional technologies. Costs in excess of the $0.075/kWhr would have to be sought from other sources, such as federal and state renewable resource development grants and subsidies and private investors.

The RFP required that bidders indicate the price at which output would be sold to the SFPUC in cents per kilowatt hour in each of Years #1-12 of the proposed project's operation. In addition, the bidders were required to provide estimated installed costs, including major system components, all interties, design and construction of the building, interest during construction, transaction costs and contingencies. Further, the bidders were required to provide buyout prices for Years #5-12 in the event that the SFPUC elected a lease-purchase arrangement.

In December 1998, the SFPUC issued an RFQ. Although a number of firms attended the bidders' conference and expressed interest, only two firms submitted qualifications statements: Sierra Detroit Diesel Allison ("SDDA"), a subsidiary of Stewart & Stevenson with substantial experience in constructing and operating similar cogeneration plants throughout the U.S., and a joint venture of CH2M Hill and Energy 2000. Both of these firms were proposing conventional, well established technologies. Both were deemed qualified to submit proposals.

In January 1999, the RFP was issued to the two qualified bidders. However, the joint venture of CH2M Hill and Energy 2000 decided not to submit a proposal. Instead, they passed the RFP on to Biller-McCoy Builders, Inc. who submitted a proposal on its own behalf. The proposal was for 3 x 750 kW (gross capacity 2.2 MW) gas turbines for an installed price of $6.6 million. The Biller-McCoy Builders proposal was rejected on the basis that they had not participated in the RFQ process and was therefore ineligible to bid. Therefore, SDDA was the sole responsive bidder.

In September 1999, the SFPUC authorized staff to negotiate a contract with SDDA. However, the SFPUC decided that it would be more cost effective purchase the Project outright, rather than purchase output from the Project.

Staff negotiated two contracts with SDDA: a design-build contract in which the City would purchase the Project upon completion of construction, and an operations and maintenance agreement under which SDDA would provide services for up to five years, coincident with the term of the CEC subsidy, and SDDA would agree to guarantee performance of the Project sufficient to earn the full CEC subsidy during the period in which it operated and maintained the Project.

In September 2000, the SFPUC approved award of Contract CS-520 to SDDA to design and build a two-megawatt cogeneration facility at SEWPCP for a contract price of $3,181,742. The SFPUC decided that inasmuch as the operations and maintenance agreement was optional, the SFPUC would defer approval until policy issues had been fully vetted with respect to staff's proposed use of a contractor to operate and maintain a facility owned by the SFPUC.

DESIGN-BUILD CONTRACT

Ninety percent (90%) of the design-build contract price is payable after the Facility has been in operation for 30 days, and ten percent (10%) is payable upon completion of all punch list items. The contract provides for liquidated damages in case the contractor fails to meet any of the minimum performance specifications. In addition, failure to complete the project by January 1, 2002 will trigger liquidated damages at the rate of $3,100 per calendar day for failure to meet "substantial completion" and $750 per calendar day for failure to meet "final completion". The value of the negotiated liquidated damages is equivalent to the value of the output "lost" during the period of non-performance; i.e., at approximately $0.075/kWhr.

Funding is available in Project CUH943 in the amount of $3.2 million. The amount greater than the purchase price (approximately $28,000) is sufficient to cover SFPUC staff time to coordinate work with the developer on SEWPCP's premises. Inasmuch as this is a design-build contract, minimal project oversight will be necessary.

OPERATIONS AND MAINTENANCE CONTRACT

In negotiating the operations and maintenance contract, SFPUC staff determined that City costs to do the same work would be roughly equivalent to the price quoted by SDDA. The principal benefit in allowing SDDA to do the work for the first 5 years would be its guarantee of the full CEC subsidy. In addition, SDDA included training of SFPUC staff in both operations and maintenance in its scope of work.

Staff did not conduct a separate bidding process for an operations and maintenance contractor for this Project since it is unlikely that another contractor would be willing guarantee the performance of a plant designed and constructed by someone else.

CEC SUBSIDY

The CEC subsidy is earned on the quantity of output generated during the first 5 years of the Project's operation. However, the last date for collection of the CEC subidy is December 31, 2006. In the event that the Project is not placed in-service by January 1, 2002, the Project will lose the CEC subsidy at a rate of approximately $230,000 per year ($630 per day).

As noted under the description of the design-build contract, the negotiated liquidated damages make the City "whole" for the full value of any CEC subsidy lost.

PROJECT ECONOMICS

The SEWPCP is presently charged an average rate of approximately $0.075 per kWhr. The value of the annual electric output of this plant at the $0.075/kWhr rate is $1.2 million.

Annual operating costs are estimated at $265,000. Fuel is typically the most significant component of cost for a cogeneration plant. However, since digester gas is produced as a byproduct of the sewage digestion process, the cost of fuel for this project is $0.

The proposed project therefore yields a positive economic benefit of $935,000 per year before consideration of the CEC subsidy. After accounting for the CEC subsidy (approximately $230,000 per year for the first 5 years), the payback on this project is less than 3 years. [$3.2M ÷ ($935K+$230K) = 2.75 years]

REQUEST FOR APPROVAL

SFPUC requests approval from the Board of Supervisors for the award of the Design Build Agreement to SDDA in the amount of $3,181,742.

Please contact David Henzl (415-554-3435) if there are any further questions.

Cc:
BOS Budget Analyst - Emilie Neumann
CWP - Jon Loiacono
CWP - Joe Wong
HHWP - David Henzl
SFPUC Finance - Carlos Jacobo
Records

COGENERATION AT SOUTHEAST PLANT
OPERATING AND MAINTENANCE

		Year 2002 NPV @ 8.5%	20-year Total	2002	2003	2004	2005	2006
Project operating & maintenance costs								
1 O&M costs (based on 5-yr contract)		3,112.715	6.023,091	231,508	231,508	231,508	231.508	231,508
2 Major overhaul (as occurs)		297,187	762,019	0	0	0	0	0
Total operating costs	$	3.112,715	6,023,091	231,508	231,508	231,508	231,508	231,508
Total O&M costs per kWh				*$0.0139*	*$0.0139*	*$0.0139*	*$0.0139*	*$0.0139*

**COGENERATION AT SOUTHEAST PLANT
OPERATING AND MAINTENANCE**

	2007	2008	2009	2010	2011	2012	2013	2014
Project operating & maintenance costs								
1 O&M costs (based on 5-yr contract)	261,604	269,452	277,536	285,862	294,438	303,271	312,369	321,740
2 Major overhaul (as occurs)	0	0	0	0	325,105	0	0	0
Total operating costs	261,604	269,452	277,536	285,862	294,438	303,271	312,369	321,740
Total O&M costs per kWh	*$0.0157*	*$0.0162*	*$0.0167*	*$0.0172*	*$0.0177*	*$0.0182*	*$0.0187*	*$0.0193*

Source: Public Utilities Commission

COGENERATION AT SOUTHEAST PLAN'
OPERATING AND MAINTENANCE

	2015	2016	2017	2018	2019	2020	2021
Project operating & maintenance costs							
1 O&M costs (based on 5-yr contract)	331.392	341,334	351,574	362,121	372,985	384.174	395,700
2 Major overhaul (as occurs)	0	0	0	0	0	0	436,914
Total operating costs	331,392	341,334	351,574	362,121	372,985	384.174	395,700
Total O&M costs per kWh	*$0.0199*	*$0.0205*	*$0.0211*	*$0.0217*	*$0.0224*	*$0.0231*	*$0.0238*

EXHIBIT 1

SEP DIGESTER GAS PROJECT
SEP KEEPS CEC PAYMENT
SEP OWNS
SDDA constructs, City buys upon acceptance
2 SDDA maintenance agreement

COMPARISON TO BAU	NPV @ 7.0%	20 year Totals	1 2001	2 2002	3 2003	4 2004	5 2005	6 2006
BAU cost of purchased power	12,165,415	24,123,907	1,132,924	1,132,924	933,529	961,535	990,381	1,020,093
Costs with the project:								
Debt service or lease payment	0	0	0	0	0	0	0	0
Standby power	0	0	0	0	0	0	0	0
O&M costs	2,452,599	4,630,160	231,508	231,508	231,508	231,508	231,508	231,508
Make-up fuel	341,514	673,528	27,720	28,275	28,840	29,417	30,005	30,605
Developer fee/admin	0	0	0	0	0	0	0	0
SEP administrative costs	66,057	133,096	5,000	5,100	5,253	5,411	5,573	5,740
Less CEC rebate	(941,577)	(1,148,210)	(229,642)	(229,642)	(229,642)	(229,642)	(229,642)	0
	1,918,593	4,288,574	34,586	35,241	35,959	36,694	37,444	267,853
Total savings	10,246,822	19,835,332	1,098,337	1,097,683	897,570	924,841	952,937	752,239
Capital investment	3,094,804	3,094,804	3,094,804					
Cumulative savings	7,152,018	16,740,528	(1,996,467)	(898,783)	(1,213)	923,628	1,876,565	2,628,804
Estimated IRR	31.4%							
Project payback	3.0 years							

Source: Public Utilities Commission

SEP DIGESTER GAS PROJECT
SEP KEEPS CEC PAYMENT
SEP OWNS
SDDA constructs, City buys upon
2 SDDA maintenance agreement

COMPARISON TO BAU	7 2007	8 2008	9 2009	10 2010	11 2011	12 2012	13 2013	14 2014	15 2015
BAU cost of purchased power	1,050,695	1,082,216	1,114,683	1,148,123	1,182,567	1,218,044	1,254,585	1,292,223	1,330,989
Costs with the project:									
Debt service or lease payment	0	0	0	0	0	0	0	0	0
Standby power	0	0	0	0	0	0	0	0	0
O&M costs	231,508	231,508	231,508	231,508	231,508	231,508	231,508	231,508	231,508
Make-up fuel	31,217	31,842	32,479	33,128	33,791	34,467	35,156	35,859	36,576
Developer fee/admin	0	0	0	0	0	0	0	0	0
SEP administrative costs	5,912	6,090	6,272	6,461	6,654	6,854	7,060	7,271	7,490
Less CEC rebate	0	0	0	0	0	0	0	0	0
	268,638	269,439	270,259	271,097	271,953	272,829	273,724	274,638	275,574
Total savings	782,058	812,777	844,424	877,026	910,614	945,215	980,862	1,017,584	1,055,416
Capital Investment									
Cumulative savings	3,410,862	4,223,638	5,068,062	5,945,089	6,855,702	7,800,918	8,781,779	9,799,364	10,854,779

Estimated IRR
Project payback

SEP DIGESTER GAS PROJECT
SEP KEEPS CEC PAYMENT
SEP OWNS
SDDA constructs, City buys upon
2 SDDA maintenance agreement

COMPARISON TO BAU	16 2016	17 2017	18 2018	19 2019	20 2020
BAU cost of purchased power	1,370,919	1,412,047	1,454,408	1,498,040	1,542,982
Costs with the project:					
Debt service or lease payment	0	0	0	0	0
Standby power	0	0	0	0	0
O&M costs	231,508	231,508	231,508	231,508	231,508
Make-up fuel	37,308	38,054	38,815	39,591	40,383
Developer fee/admin	0	0	0	0	0
SEP administrative costs	7,714	7,946	8,184	8,430	8,682
Less CEC rebate	0	0	0	0	0
	276,530	277,508	278,507	279,529	280,574
Total savings	1,094,389	1,134,539	1,175,901	1,218,512	1,262,408
Capital investment					
Cumulative savings	11,949,169	13,083,708	14,259,609	15,478,120	16,740,528
Estimated IRR					
Project payback					

City and County of San Francis
Meeting Minutes
Finance and Labor Committe

Members: Supervisors Leland Yee, Sue Bierman, To

Clerk: Mary Red

Wednesday, October 25, 2000 | 10:00 AM | City Hall, Room 263

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano.

Members Absent: Sue Bierman.

Meeting Convened

The meeting convened at 10:07 a.m.

001810 **[Government funding for rent subsidies to non-profit arts organizations that are in immediate danger of being evicted or displaced by rent increases]**

Supervisors Ammiano, Bierman, Leno

Ordinance appropriating $1,500,000 from the General Fund Reserve to provide rent subsidies to non-profit art organizations that are in immediate danger of being evicted or displaced by rent increases, through the Art Commission for fiscal year 2000-2001.

(Companion measure to File 001811.)

10/16/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; June Gutfleisch, Supervisor Bierman's Aide; Pam David, Director, Mayor's Office of Community Development; Alma Robinson, California Lawyers for the Arts; Sally, Program Director, Art House; Augusta Moore, Dance Mission; Lena Gatchalian, Dance Brigade; Rachel Kaplan; Jack Davis; Jo Kriter; Jose Navariete; Dance Mission; Debra Walker; Tina Barchero; Joe Williams, Isadora Duncan Dance Awards Committee; Ann Bluethenthal, ABD Productions; Sarmir Bitar, Rescue Culture Collective; Andrew Woods; Charlie Hodge; Krissy Keefer; Carolina Ponce de Leon, Galeria de La Raza; Janeen Antoine, American Indian Contemporary Arts; Chris Lanier, Eviction Defense Coalition; Andy Patrick, Fifty Crows; Jonathan Youtt; Jeannere Przyblyski; Prince Gomolvilas, Theatre Bay Area; John Warren, Magic Theatre; Briana Green, SUBUD; Rowland Weinstein; Joan Hogan; Peter Rothblatt, Rhythm and Motion; John Ehelich.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001811 **[Providing rent subsidies to nonprofit arts organizations]**

Supervisors Ammiano, Bierman, Leno

Ordinance establishing terms and conditions for the expenditure of an appropriation of 1.5 million dollars from the general fund to provide a grant to California Lawyers for the Arts to give rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases.

10/16/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; June Gutfleisch, Supervisor Bierman's Aide; Pam David, Director, Mayor's Office of Community Development; Alma Robinson, California Lawyers for the Arts; Sally, Program Director, Art House; Augusta Moore, Dance Mission; Lena Gatchalian, Dance Brigade; Rachel Kaplan; Jack Davis; Jo Kriter; Jose Navariete; Dance Mission; Debra Walker; Tina Barchero; Joe Williams, Isadora Duncan Dance Awards Committee; Ann Bluethenthal, ABD Productions;Sarmir Bitar, Rescue Culture Collective, Andrew Woods, Charlie Hodge; Krissy Keefer; Carolina Ponce de Leon, Galeria de La Raza; Janeen Antoine, American Indian Contemporary Arts; Chris Lanier, Eviction Defense Coalition; Andy Patrick, Fifty Crows; Jonathan Youtt; Jeannere Przyblyski; Prince Gomolvilas, Theatre Bay Area; John Warren, Magic Theatre, Briana Green, SUBUD; Rowland Weinstein; Joan Hogan; Peter Rothblatt, Rhythm and Motion; John Ehelich.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001699 **[Airport sublease of warehouse space to the S.F. Fine Arts Museums]**

Supervisor Newsom

Resolution approving a sublease of warehouse space between the Corporation of the San Francisco Fine Arts Museums and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/27/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/11/00, CONTINUED. Continued to October 25, 2000.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Yee, Peter Nardoza, Airport; Anthony DeLucchi, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001723 **[Government Funding, $29,605,000, Educational Facility Bond Proceeds]**

Mayor

Ordinance appropriating $29,605,000 of Educational Facility Bond proceeds for general renovation of City College structures, adding health and safety features that bring structures into ADA compliance, and telecommunications facilities, for fiscal year 2000-2001.

(Fiscal impact.)

10/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Philip Day, Chancellor, S. F. City College; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001789 [PUC Commercial Paper Issuance]

Resolution approving the expansion of the Public Utilities Commission Commercial Paper Program by increasing the aggregate principal amount which may be outstanding at any one time of San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) from $150,000,000 to $250,000,000 pursuant to Article V of Chapter 43 of Part I of the San Francisco Municipal Code for the purpose of financing and refinancing certain capital improvements related to the water enterprise; approving the maximum interest rate thereon; and related matters. (Public Utilities Commission)

10/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Bill Berry, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001507 [Closure of Portions of Fort Funston]

Supervisor Yee

Hearing to consider the National Park Services closure of open space at Fort Funston which has resulted in a reduction in land available for dog walking and other recreational use by residents.

8/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/20/00, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Supervisor Yee; Lydia Boesch, Attorney; Nathan Winograd, SPCA; Linda Shore, Physicist; Nancy Barber; Linda McKay, Fort Funston Dog Walkers Association; Grayce Regan, Independent Living Resource Center; Florence Sarrett; Eleanor Vinsant; Alan Grant; Alberta Romanini; Christy Cameron; Laura Cavaluzzo; Larry Shockey, Attorney; Linda Horning; Roulhac Garn; Lynn Walker; Steven Krefting, National Parks Conservation Assoc.; Supervisor Bierman; Supervisor Ammiano; Jennifer Finlay; Anne Farrow, SFDOG; Patricia LaCava; Lindsay Kefauver; Vicki Tieman; George Durgerian, Park Ranger; Laura Sweet; Lisa Vatorie; Shelia Mahoney; Ann Alden; Robin Buckley; John Keeting; Eric Finseth, Attorney.

Heard in Committee. Speakers: Supervisor Yee; Mariam Morley, City Attorney; Nathan Winograd; Rouleau Gain; John Keeling; Supervisor Ammiano.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001324 **[Bayview Hunters Point Foundation]**

Supervisor Ammiano

Hearing to inquire into: (1) the fiscal condition and budget of the Bayview Hunters Point Foundation, (2) the status of the contract negotiations between the City, the BHPF, and SEIU Local 790; (3) the status of the technical assistance funded by the City and other issues pertaining to contract negotiations.

7/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/18/00, CONTINUED. Continued to October 25, 2000.

Heard in Committee. Speakers: Supervisor Ammiano; Karen Patterson-Mathew, Executive Director, Bayview Hunters Point Foundation; Barbara Garcia, Director, Population Health, Department of Public Health; Supervisor Yee; Candy Gloria, Director Tenderloin Clinic; Minnie Ward, Nurse; Lawanda Preston, Local 790; Diane Soarate, Children's Program; Marie Harrison; Sophie Maxwell; Paul Boden, Coalition on Homelessness; Iyabo Abeke Oladigbolu, Bayview Club House; Roy Harrison; Chris Fisher; Dr. Thomas Ryan, Medical Director, Tenderloin Clinic; Dr. Richard Juhl, Psychiatrists, Tenderloin Clinic; Donna Wolfe, Tenderloin Clinic; Geneva Pierre Williams; Chris Miller; Pattie Tamura; Marshall Walker; Cecilia Valentine, Chris Daley, Mission Agenda; Linda Zereske, Local 790; Dr Ramona Davis, BVHP Mental Health Clinic; Dodie Chaney-Fernandes; Gene Hartman, Jr.; Cassandra Jackson; Shirley Jones, Board of Directors, BHPF; Robert Surber; Charles Harris; Karen Goodson Pierce, Bayview Democratic Club, Daisy, Sex Workers Organized for Labor, Human and Civil Rights; Denise D'Anne; Norman Tanner; Paul Henderickson, Bayview Club House; JR Manuel; Cati A. Okorie; Leslie Drummer; Christie Herrera; Helynna Brooke, Mental Health Board; Matt Rostoker; Demone Hale.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

ADJOURNMENT

The meeting adjourned at 2:00 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 19, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: October 25, 2000 Finance and Labor Committee Meeting

Items 1 and 2 – Files 00-1810 and 00-1811

Department: Arts Commission

Items: Supplemental appropriation ordinance of $1,500,000 from the General Fund Reserve, for the Arts Commission, to provide emergency rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced as a result of rent increases (File 00-1810).

Ordinance establishing the terms and conditions for the expenditure of an appropriation of $1.5 million from the General Fund Reserve to provide a grant to California Lawyers for the Arts, a nonprofit agency, to give rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases (File 00-1811).

Amount: $1,500,000

Source of Funds: General Fund Reserve

Budget: The Attachment, provided by the California Lawyers for the Arts, identifies an administrative budget of

$56,565 to administer the proposed program for the period from approximately November 1, 2000 through June 30, 2001. Ms. Alma Robinson of the California Lawyers for the Arts advises that an additional approximately $2,000 would be needed to compensate the selection panelists, assuming there would be approximately 20 meetings and compensation of $100 for the one arts representative per meeting. This total of $58,565 of administrative expenses represents approximately 3.9 percent of the total supplemental appropriation of $1,500,000. The $1,441,435 balance of the funds would be used to award direct grants for rent subsidies to individual nonprofit arts organizations (See Comment 8).

Description: The proposed supplemental appropriation ordinance of $1,500,000 (File 00-1810) and the companion ordinance (File 00-1811), which specifies the terms and conditions for the award of the $1,500,000 of funds, are together intended to provide emergency financing for rent assistance for nonprofit arts organizations that are facing immediate eviction or displacement due to significantly increased rents in San Francisco. As stated in the proposed legislation (File 00-1811), these emergency funds would immediately help to stabilize arts organizations currently leasing space in San Francisco, while the City pursues medium and long-range goals of (1) maximizing, expanding and improving existing arts spaces and (2) identifying, securing and improving new arts spaces. Under the proposed legislation, the California Lawyers for the Arts, a nonprofit organization which provides legal services and information for underserved artists and art organizations in California, would be awarded the subject $1,500,000 grant from the Arts Commission, to administer a program to distribute these funds to specifically eligible arts organizations (see Comment 1 explaining how the California Lawyers for the Arts was selected).

Under the proposed ordinance (File 00-1811), in order to be eligible to receive funding, the nonprofit arts organizations would need to meet the following nine specific criteria: (1) Federal tax law 501(c)(3) nonprofit

status or fiscal sponsorship; (2) the organization's primary purpose must be either visual arts, dance, theater, music, literary arts or new genre/multimedia; (3) annual operating budget of no more than $1.2 million; (4) demonstrated financial accountability; (5) demonstrated financial stability; (6) substantial continuing activities in and support from the community; (7) existence in San Francisco for at least two years prior to the application; (8) at least one year remaining on a San Francisco lease for space; and (9) demonstrated financial need for rent assistance and an at least 100 percent increase in annual rent.

Evaluation of all of these nine conditions would be determined by a three-member selection panel, comprised of one representative of the Arts Commission chosen by the Director of Cultural Affairs, one representative of the Grants for the Arts chosen by the Director of Grants for the Arts and a rotating third representative. The rotating third representative on the selection panel would be mutually selected by the Director of Cultural Affairs and the Director of the Grants for the Arts from one of the six art disciplines (i.e., visual arts, dance, theater, music, literary arts and new genre/multimedia) that corresponds to the applicant's organization. The selection panel would be required to reach a unanimous decision in order to provide funding for each nonprofit arts organization. In accordance with the proposed ordinance, the selection panel would meet as frequently, as needed. See Comment 3 regarding the relationship between the selection panel and the California Lawyers for the Arts.

As further specified in this ordinance, the following five specific limits would be placed on the grant amounts for those eligible organizations: (1) limited to only the portion of rent that represents an increase over the prior year's rent; (2) an organization may not receive cumulative City rent assistance totaling more than (a) 50 percent of the total annual rent or (b) $80,000 within a 12-month period; (3) limited to 12 months, beginning on the application filing date, although organizations can reapply for subsequent years; (4) limited to one grant per leasehold, even if

multiple organizations share a single leasehold; (5) grants may only be used to pay for the specific leasehold identified in the application, and if grant funds are used for any other purposes, the applicant may be required to refund all grant monies, plus interest and the City's administrative costs to recoup such funds.

In accordance with the proposed legislation, grants would generally be awarded on a first-come, first-served basis. Because there is not a specific deadline for all applications to be submitted for consideration at the same time, the proposed ordinance states that the $1,500,000 funding may be depleted before a potentially worthy applicant applies for funding. In fact, the proposed ordinance states that the selection panel may begin awarding grants immediately on the basis of completed application submittals, even in the absence of a formal standardized application form being developed by the California Lawyers for the Arts.

The proposed ordinance would require that each grant recipient submit a report to the California Lawyers for the Arts within 30 days after the rent assistance grant period is over, verifying that the grant funds were spent on the specific leasehold. In turn, the California Lawyers for the Arts would be required to report to the Arts Commission every six months, identifying the applicants, the nonprofit arts organizations that received funding, the amount that each organization received, and a statement of the balance of the subject $1,500,000 appropriation, including interest earnings and administrative fees allocated. In addition, within two months after all of the $1,500,000 of funding is spent, the California Lawyers for the Arts would be required to submit a final summary report of activities to the Arts Commission.

The proposed ordinance states that the California Lawyers for the Arts may recoup a reasonable administrative fee, in the discretion of the Arts Commission, from the subject appropriation, and that reasonable compensation for the selection panel may be included in such administrative fees. As discussed

above in the Budget Section, the California Lawyers for the Arts has estimated total administrative costs of approximately $58,565 through June 30, 2001. In addition, the California Lawyers for the Arts would be required to hold the subject $1.5 million appropriation in an interest-bearing account, with the accumulated interest, to be added to the principal and expended for additional rent subsidy grants to nonprofit arts organizations. Any balance in this account at the close of the fiscal year would be carried forward to the next fiscal year for the continued same purposes.

Under the proposed ordinance (File 00-1811), the Arts Commission or the California Lawyers for the Arts would be able to adopt additional reasonable rules and procedures to implement this legislation consistent with its purposes. Such additional rules and procedures would not be subject to Board of Supervisors approval.

Comments:

1. According to Mr. Richard Newirth of the Arts Commission, the Arts Commission does not have sufficient staff to administer the proposed emergency rent subsidy program. In addition, Mr. Newirth advises that given the need to conduct public hearings with the Arts Commission's involvement, the Arts Commission probably cannot respond as quickly as necessary to the emergency needs of the proposed rent subsidy program.

As a result, according to the Office of the Sponsor of the proposed legislation, the following four nonprofit organizations were contacted regarding their interest in administering the proposed emergency rent subsidy program: (1) Nonprofit Finance Fund; (2) Northern California Community Loan Fund; (3) Art Loan Fund; and (4) California Lawyers for the Arts. The Office of the Sponsor advises that three of these organizations were either not interested, did not have the administrative capacity to provide these services, or could not provide the services in a sufficiently timely manner. As a result, only the California Lawyers for the Arts submitted a responsive bid to this request.

2. Ms. Alma Robinson of the California Lawyers for the Arts advises that the California Lawyers for the Arts currently has four contracts totaling $282,000 annually with the City of San Francisco, including (1) $30,000 from the Arts Commission to fund ArtHouse, a joint support services program for individual artists and art organizations, (2) $135,000 from the Department of Children, Youth and Their Families to provide afterschool and in-school art training and job assistance for youth, (3) $17,000 from the Superior Court to provide alternative dispute resolution services for arts-related issues, including arbitration and mediation services and (4) $300,000 for a three-year collaborative program (average of $100,000 per year) with the Department of Human Services and the Private Industry Council to provide welfare-to-work clients with training and job placements in the arts. In addition, Ms. Robinson advises that the California Lawyers for the Arts receives funding from the California Arts Council and the National Endowment for the Arts. According to Ms. Robinson, the California Lawyers for the Arts has a 14-person staff State-wide, with offices in San Francisco, Los Angeles, Sacramento and Oakland and a total current annual budget of approximately $700,000, of which $282,000, or approximately 40 percent is financed from City related funds.

3. The proposed ordinance (File 00-1811) is silent regarding the relationship between the selection panel and the California Lawyers for the Arts. However, based on discussions with Ms. Robinson, it is assumed that the California Lawyers for the Arts would assist in convening, training and assisting the selection panel. Ms. Robinson also advises that their ArtHouse Program Director, who is a licensed California Realtor, would also be the Program Director for this proposed nonprofit art organization rent subsidy program, such that this Program Director is already providing technical assistance and lease negotiation services to some of these same nonprofit arts organizations. In addition, it is assumed that the selection panel would work directly with the California Lawyers for the Arts to immediately report the recommendations from each meeting, so that the rent subsidy funds could be

quickly provided to the specified arts organizations. The Budget Analyst recommends that language be incorporated into the proposed ordinance (File 00-1811) to identify the relationship between the selection panel and the California Lawyers for the Arts.

4. The Budget Analyst advises that since the proposed rental subsidies by their nature are ongoing expenses, it is possible that additional funds would be requested after the proposed $1,500,000 are depleted. The Office of the Sponsor of the proposed $1,500,000 supplemental appropriation advises that this $1,500,000 request is intended to be a one-time emergency appropriation only. The Sponsor's Office reports that any future appropriations for rent subsidies to nonprofit arts organizations will need to be decided by the new Board of Supervisors next year. In addition, the Office of the Sponsor advises that additional legislation is also needed to address both intermediate and long-term solutions to the existing nonprofit arts organizations leasing of space in San Francisco.

5. Another ordinance (File 00-1809), was recently introduced by the Board of Supervisors to appropriate $3,000,000 of General Fund Reserve monies, including $500,000 for rent subsidies to nonprofit arts organizations at risk of being evicted or displaced by rent increases and $2,500,000 for a capital project to acquire or develop rental space for arts organizations through the Mayor's Office of Community Development and the Department of Economic Development. That ordinance has not yet been heard by a committee of the Board of Supervisors.

6. The Budget Analyst notes that the proposed ordinance (File 00-1811) requires that the selection panel include a rotating representative from one of the six specific art disciplines (i.e., visual arts, dance, theater, music, literary arts and new genre/multimedia) that corresponds to the applicant's organization. However, there is no language in the proposed ordinance restricting such art representatives from having any connection or financial interest in the subject application which they

are reviewing and making recommendations for funding. Therefore, the Budget Analyst, with the City Attorney's concurrence, recommends that the proposed ordinance (File 00-1811) specifically state that the proposed selection panelists may not have any financial interest in the applications which are subject to their review.

7. As noted above, within two months after all of the $1,500,000 of funding is expended, the California Lawyers for the Arts would be required to submit a final summary report of activities to the Arts Commission. The Budget Analyst recommends that the proposed ordinance be amended to require that such a summary report also be provided to the Board of Supervisors.

8. Mr. Newirth advises that from January through September of 2000, the Arts Commission funded a consultant study by MacDougall & Company to document the impact of the escalation of real estate prices on arts organizations in San Francisco. According to Mr. Newirth, this $75,000 study was fully funded with a Hewlett Foundation grant. Attachment II from this San Francisco Space for the Arts Study identifies 86 nonprofit arts organizations that have either lost their leases or will have leases expiring in the near future. According to this Study, these art organizations currently pay an average of $12.70 per square foot per year, although the currently quoted real estate average for comparable space in San Francisco is $55 per square foot per year, or 333 percent more than these art organization's current rental rates. Attachment III specifically breaks down 117,576 square feet of existing rental space for those 48 nonprofit art organizations, by art discipline, that are at risk of losing their rental space by the end of 2001 (two organizations are identified as evicted for a total of 50 organizations). Although the proposed ordinance is restricted to those nonprofit arts organizations that have at least a 12-month lease extension (month-to-month leases would not be eligible), if 24 organizations, or one-half of the 48 listed nonprofit art organizations that are at risk of immediately losing their rental space, were to apply

for and receive the subject rent subsidies, it is estimated that an average of $60,060 ($1,441,435 divided by 24 organizations) would be available for a 12-month rent subsidy for each applicant. If it were assumed that all of the 48 nonprofit arts organizations were to apply for and qualify to receive rent subsidies, then an average of $30,030 would be available for a 12-month rent subsidy for each applicant.

Recommendations: 1. Amend the proposed ordinance (File 00-1811) to: (1) identify the relationship between the selection panel and the California Lawyers for the Arts, as discussed in Comment 3, (2) specifically restrict the selection panelists from having any financial interest in the applications which are subject to their review, as discussed in Comment 6, and (3) require that the California Lawyers for the Arts provide a final summary report to the Board of Supervisors, as discussed in Comment 7.

Approval of the proposed ordinances, as amended, are policy matters for the Board of Supervisors.

Attachment I

California Lawyers for the Arts
page 3

Program Director	$16,000
Program Associate	12,365
Administrative Ass't (temp)	10,000
Supplies	1,000
Printing	500
Postage	700
Telecommunications	1,000
Organizational Overhead	15,000
	$56,565

Amer. Indian Contemp. Arts	Art Therapy Center	42nd Street Moon	CA Poets In Schools	Lorraine Hansberry Theatre	Philharmonia Baroque	Center for Electronic Art (2005)
Brady Street Studio	Cartoon Art Museum	ABADA Capoeira	Canyon Cinema	Musical Traditions, Inc.	SF Film Soc./Festival	Intersection for the Arts (2005)
Dance Brigada/Mission	Dance Through Time	Amer. Indian Film Inst.	CineAccion	SF Girls Chorus	SF Jazz Organization	Z Space Studio (2005)
Dancers' Group	Galeria de la Raza	Angst Ensemble	Film Arts Foundation	SF Performances		New Langton Arts (2006)
Feminist Book Store	Humanities West	Art of the Matter	Gay Lesb. Trans. Hist. Soc.			Ruby's Clay Studio/Gallery (2006)
Mercy Sidbury Dancers	Iconoclast Productions	Aunt Lute Books	Kronos Quartet (rehearsal)			Eureka Theater (theater) (2007)
SF Cinemateque	Pocket Opera	CALAA	NAATA			BAVC (2008)
	S.F. Contemp. Players	Climate Theater	NAMAC			Am. Cons. Theater (adjunct-2008)
	Shaping S.F.	Comm. Music Cntr. (adjunct)	Public Glass			City Arts and Lectures (2009)
	The Art Council	El Teatro de la Esper.	SF Boys Chorus			Friends of Photography (2010)
	The.art.re/Lab	Eureka Theater (office)	SF Center for the Book			CELLSpace (2013)
	Theatre Rhinoceros	Gator Mouth Theater	SF Jewish Film Festival			Exit Theater (2013)
	Western Arts Alliance	Girl Source	SF PALM			Theater Artaud (2015)
	Women's Educ. Media	Jon Simms Center				Eth-Noh-Tec (2015)
	Women's Philharmonic	Kearny Street Workshp				Thick Description (2019)
	Zaccho Dance Theater	Khadra Int. Dance				
		Kronos Quartet (office)				
		LINES Contemp Ballet				
		(aka SF Dance Cntr)				
		Luna Sea				
		Midsummer Mozart Fest				
		New Century Chamber				
		Poets and Writers				
		SF Camerawork				
		SF Shakespeare Fest.				
		Soc. for Art Pub. Am.				
		Stern Grove Festival				
		truArt House				

Attachment II

#	Organization	Lease Status	Sq Ft	Monthly Rent/Sq Ft	Annual Rent/Sq Ft	Rent as % of Budget	Years at this Location
	DANCE						
1	Lines Contemporary Ballet	2001	13,200	$0.71	$8.52	13%	11
2	Dancers' Group	2000	8,500	$0.50	$6.00	16%	18
3	Brady Street Dance Studio	Evicted	6,000	n/a	n/a	n/a	n/a
4	Zaccho Dance Theater	Month/Month	4,200	$0.44	$5.28	16%	10
5	Dance Brigade/Dance Mission*	Evicted	3,735	$0.40	$4.80	14%	2
6	Mercy Sidbury & Dancers	Evicted	2,100	$0.48	$5.76	50%	20
7	Khadra International Dance Theatre	2001	1,300	$1.00	$12.00	2%	1
8	Art of the Matter/D. Slater Dance Theater	2001	1,100	$1.00	$12.00	18%	20
9	Dance Through Time	Month/Month	300	$1.33	$15.96	4%	15
	TOTAL DANCE		40,435	$0.60	$7.24	17%	12
	% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		34%				

* Late breaking news: As this report goes to press, Dance Mission has been able to negotiate an extention on its lease.

#	Organization	Lease Status	Sq Ft	Monthly Rent/Sq Ft	Annual Rent/Sq Ft	Rent as % of Budget	Years at this Location
	THEATER						
10	San Francisco Shakespeare Festival	2001	9,000	$0.11	$1.32	5%	11
11	Theatre Rhinoceros	Month/Month	3,000	$1.20	$14.40	10%	16
12	Gator Mouth Theater	2000	2,800	$0.60	$7.20	80%	2.5
13	Climate Theater	2000	1,900	$0.85	$10.20	38%	9
14	Angst Ensemble	2001	1,300	$1.92	$23.04	50%	5
15	El Teatro de la Esperanza	2000	1,000	$0.75	$9.00	7%	
16	Eureka Theater (office)	2000	750	$1.07	$12.84	37%	1
17	42nd Street Moon	2001	163	$2.65	$31.80	18%	0.5
	TOTAL THEATER		19,913	$0.62	$7.45	31%	6
	% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		17%				

Organization	Lease Status	Sq. Ft.	Monthly Rent/Sq. Ft.	Annual Rent/Sq. Ft.	Rent as % of Budget	Years at This Location
MEDIA AND VISUAL ARTS						
18 Cartoon Art Museum	Month/Month	7,875	$1.50	$18.00	37%	5
19 Iconoclast Productions	Month/Month	3,600	$3.60	$43.20	20%	9
20 San Francisco Camerawork	2000	3,000	$0.83	n/a	1%	6
21 American Indian Contemporary Arts	1999	2,300	$1.52	$18.24	17%	3
22 Women's Educational Media	Month/Month	950	$1.00	$12.00	3%	5
23 San Francisco Cinematheque	2000	800	$0.56	$6.72	6%	18
24 American Indian Film Institute	2001	700	$1.00	$12.00	3%	14
25 Art Therapy Center	Month/Month	600	$1.25	$15.00	30%	2
26 San Francisco Silent Film Festival	2001	550	$1.60	$19.20	27%	2
TOTAL MEDIA AND VISUAL ARTS		20,375	$1.69	$20.31	16%	7
% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		17%				
MULTI-DISCIPLINARY**						
27 Jon Sims Center for the Performing Arts	2001	6,000	$0.59	$7.08	22%	14
28 The.art.re.group, Inc./The Lab	Month/Month	3,536	$0.50	$6.00	21%	5
29 Luna Sea Women's Performance Project	2001	2,900	$0.60	$7.20	25%	6
30 Galeria de la Raza	Month/Month	2,875	$1.20	$14.40	21%	26
31 Kearny Street Workshop	2000	1,800	$1.22	$14.64	28%	5
32 Humanities West	Month/Month	250	$3.00	$36.00	13%	4
TOTAL MULTI-DISCIPLINARY		17,361	$0.77	$9.29	22%	10
% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		15%				

** Serve multiple disciplines. This space has an impact on performing arts, dance, theater and music, as well as the visual and media arts.

Attachment III
Page 2 of 3

[illegible]

Organization	Lease Status	Sq Ft	Monthly Rent/Sq Ft	Annual Rent/Sq Ft	Rent as % of Budget	Years at This Location
MUSIC						
33 Pocket Opera	Month/Month	1,875	$1.00	$12.00	10%	5
34 Community Music Center	2000	1,625	$0.71	$8.52	5%	17
35 Kronos Quartet (office)	2000	1,200	$1.39	$16.68	7%	8
36 Womens Philharmonic	Month/Month	687	$2.35	$28.20	3%	10
37 New Century Chamber Orchestra	2001	512	$2.73	$32.76	1%	2
38 San Francisco Contemporary Music Players	Month/Month	383	$1.02	$12.24	2%	9
39 Midsummer Mozart Festival	2000	216	$1.56	$18.72	17%	20
TOTAL MUSIC		6,498	$1.30	$15.58	6%	10
% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		6%				
OTHER						
40 ABADA Capoeira	2001	2,500	$1.00	$12.00	30%	5
41 GirlSource	1999	2,115	$1.00	$12.00	4%	11
42 Feminist Bookstore News	2000	2,000	$0.60	$7.20	1%	
43 Stern Grove Festival Association	2001	1,700	$1.14	$13.68	2%	10
44 Aunt Lute	2000	1,660	$2.00	$24.00	70%	6
45 Western Arts Alliance (WAA)	Month/Month	1,100	$1.05	$12.60	2%	
46 Society for Art Publications of the Americas	2001	780	n/a	n/a	11%	11
47 Poets and Writers	2001	450	$1.83	$21.96	4%	3
48 Shaping San Francisco	Month/Month	300	$1.10	$13.20	17%	8
49 The Art Council	Month/Month	200	$0.40	$4.80	2%	2
50 truArt House	1999	200	$1.35	$16.20	56%	2
TOTAL OTHER		13,005	#VALUE!	#VALUE!	15%	6
% OF TOTAL SPACE AT-RISK IN NEXT 15 MONTHS		11%				
TOTAL (AVERAGE)			$0.88	$10.56	18%	9
TOTAL (MEDIAN)			$1.01	$12.12	14%	7

Item 3 - File 00-1699

Department: Airport

Item: Resolution approving the sub-lease of warehouse space at 245 South Spruce Avenue, South San Francisco, between the Corporation of the San Francisco Fine Arts Museums as sub-lessee and the City and County of San Francisco as sub-lessor, acting by and through its Airport Commission, as lessee.

Location: 245 South Spruce Avenue, South San Francisco

Purpose of Lease Agreement: This new sub-lease would allow the Corporation of the San Francisco Fine Arts Museums, on behalf of the Fine Arts Museums of San Francisco, to sub-lease approximately 30,429 square feet of warehouse space from the Airport, which the Airport is presently leasing from South City Industrial Company, LLC. The Corporation of the San Francisco Fine Arts Museums, the sub-lessee, would use the space for the storage of art and other equipment owned by the De Young Museum while the museum is undergoing renovation and refurbishment.

Sub-Lessor: City and County of San Francisco acting through the Airport Commission

Sub-Lessee: Corporation of the San Francisco Fine Arts Museums, a non-profit organization (COFAM)

No. of Sq. Ft.: 30,429 of warehouse space

Rent per Month: $22,822 or $0.75 per square foot per month

Annual Rent Payable by COFAM to the Airport: $273,864 with annual CPI adjustments, plus a pro rata share of the Property Taxes and building operating expenses paid by the Airport under the terms of its lease with South City Industrial Company, LLC

Term of Lease: November 1, 2000 through October 30, 2005 (five years).

Right of Renewal: COFAM would have two options to extend the sub-lease for a period of six months each.

Description: On May 10, 1999, the Airport entered into a lease agreement previously approved by the Board of Supervisors in April of 1999 (File No. 99-0673) with South City Industrial Company, LLC, a privately owned company, for the Airport to lease a building owned by South City Industrial Company, LLC, located at 245 South Spruce Avenue in South San Francisco. The building is comprised of approximately 562,936 square feet of office and warehouse space. The annual rent and operating costs payable by the Airport to South City Industrial Company, LLC is $6,176,077.

Originally, the Airport had intended to make use of all of the space available at the 245 South Spruce Avenue site for expansion of office staff and for storage of Facilities and Operations Management documents and attic stock[1]. According to Mr. Gary Franzella of the Airport, however, after the lease had been entered into, the Airport decided to alter its original plan, and not relocate approximately 306,931 square feet worth of fabrication shops and storage currently located at the Airport. The Airport operating functions that were relocated to the building at 245 South Spruce Avenue include, Human Resources, Airfield Development, and Reprographics offices, as well as Airport storage. These offices require 256,005 of the total of 562,936 square feet that have been leased by the Airport.

After the aforementioned change in plans, which occurred subsequent to the Board of Supervisors approval for the Airport to lease the South Spruce Avenue facility, a balance of approximately 306,931 square feet of this space leased by the Airport remained unoccupied (562,936 total square feet less 256,005 square feet presently occupied). Therefore, the Airport decided to sub-lease part of the unused portion of its facility. The Airport made its intention to sublet the unused portions of the 245 South Spruce Avenue property known to the Department of Real Estate (DRE). At approximately the same time the Airport made its intentions known to DRE,

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[1] "Attic stock" refers to overages of various buildings materials associated with the construction of new buildings (e.g., ceiling tiles, light fixture covers, and carpet).

COFAM approached DRE about leasing space to store artwork and supplies during the renovation and refurbishment of the De Young Museum. DRE found that the needs of the Airport and COFAM were compatible, and facilitated a sub-lease between them. The Airport is currently seeking other sub-tenants to occupy the remaining balance of 276,502 square feet of unoccupied space consisting of 306,931 square feet less this subject proposed sub-lease to COFAM of 30,429 square feet.

The proposed resolution would authorize the Airport to sub-lease approximately 30,429 square feet of warehouse space to COFAM for the storage of art and equipment from the De Young Museum, while that museum is undergoing renovations and refurbishment.

Comments:

1. Mr. Harry Quinn of the Department of Real Estate (DRE) advises that the proposed rental rate of $0.75 per square foot per month represents fair market value.

2. According to Mr. Steve Dykes of COFAM, COFAM is a non-profit corporation that raises private revenue to finance approximately 70 percent of the operations of the San Francisco Fine Arts Museum. The other 30 percent of operations is financed by the City from the City's General Fund. According to Mr. Dykes, rent for the proposed sub-lease would be paid to the Airport from COFAM private funds.

3. According to Mr. Quinn, because COFAM is a non-profit entity that is essentially a public-private partnership with the City, DRE regularly conducts business with COFAM as if COFAM were a City department. According to Mr. Quinn, for this reason, the sub-lease was facilitated directly between the Airport and COFAM, and was not conducted through a competitive process.

4. According to documents provided by the Airport, rent for the proposed sub-lease tenant, COFAM, would be abated by the Airport for the first 6 months of the sub-lease agreement because COFAM would use the first 6 months of the proposed sub-lease to make improvements to the property. At the conclusion of the sub-lease, the warehouse space, with the new improvements, would revert back to the Airport for

the remainder of the Airport's lease with South City Industrial Company, LLC.

5. According to Mr. Dykes, improvements to the site in the first 6 months of the sub-lease would total between $1.2 and $1.5 million, and would consist of construction of the interior space of the sub-leased area to include office space, a storage area, and some restoration lab space. Mr. Dykes states that improvements would be paid for entirely by COFAM. Mr. Dykes notes that the proposed sub-lease agreement provides that, at the end of the sub-lease period, COFAM would remove any improvements not wanted by the Airport at no cost to the Airport.

6. The term of the proposed sub-lease between the Airport and COFAM is from November 1, 2000 through October 30, 2005 (five years), with two six-month extensions lasting through October 30, 2006 (which would bring the total lease term to six years). The term of the Airport's lease with South City Industrial Company, LLC is from May 1, 1999 through April 30, 2009 (10 years), with the two 5-year options to extend at the sole discretion of the Airport, which would bring the total lease term to 20 years. If the Airport opts to extend the current lease between itself and South City Industrial Company, LLC, the Airport would have the benefit of the $1.2 to 1.5 million in improvements made by COFAM under the subject sub-lease for up to 13.5 years, until April 30, 2019, assuming such improvements were the type of improvements needed by the Airport or its sub-tenants.

7. Mr. Franzella notes that the subletting of the subject Airport-leased space is primarily a cost recovery effort. While the Airport currently leases the subject space for approximately $.73 per square foot, COFAM would sublet the same space from the Airport for approximately $.75 per square foot, which is $.02 per square foot or approximately 2.7 percent more than what it costs the Airport to lease that space. This differential would total approximately $609 per month, or approximately $32,886 of revenue for the entire period of the 5-year lease following the initial 6-month construction period.

8. Attachment I to this report, provided by DRE, is an explanation by Mr. Anthony DeLucchi, Director of Property at DRE, of the merits of the proposed sub-lease with COFAM.

9. According to Mr. Franzella of the Airport, the new revenues that would be gained from the proposed sub-lease were not included in the Airport's FY 2000-2001 budget.

10. Mr. Franzella states that unexpectedly high costs of between $9,000,000 and $10,000,000 for the expected renovations necessary to relocate shops to 245 South Spruce Avenue, which were discovered only after execution of the lease agreement between the Airport and South City Industrial Company, LLC, which had been recommended by the Airport to and approved by the Board of Supervisors, required the Airport to alter its original plan to occupy all of that space. Attachment II, provided by Mr. Franzella of the Airport, is an explanation of why the original plans to fully occupy the warehouse space at 245 South Spruce Avenue were altered. Mr. Franzella states that said renovation costs were not specifically known at that time, and that he does not recall why the Airport did not make neither the Budget Analyst nor the Board of Supervisors aware of these expected renovation costs.

11. The Budget Analyst notes that the Airport provided incomplete information to the Budget Analyst and the Finance and Labor Committee when the resolution for the 245 South Spruce Avenue lease was originally submitted for approval in April of 1999 (File No. 99-0673). Specifically, neither the Budget Analyst, the Finance and Labor Committee, nor the full Board of Supervisors was informed that renovations would be required for the Airport to accomplish the proposed move of maintenance shops to make use of much of the warehouse space at 245 South Spruce Avenue. As previously noted, the Airport did not provide estimates for such renovations to the Budget Analyst, the Finance and Labor Committee, or the full Board of Supervisors.

12. The Budget Analyst's April of 1999 report to the Finance and Labor Committee regarding the lease at 245 South Spruce Avenue, provided estimates of new revenue based on

information provided to the Budget Analyst by the Airport (File No. 99-0673). Specifically, the Airport stated to the Budget Analyst that, as a result of the Airport's 10-year lease with South City Industrial Company, LLC, the Airport would realize revenues from vacated space on Airport property, and by sub-leasing space at 350 Harbor Way that would be vacated by the Airport. Estimated new revenues to the Airport as projected by the Airport and reported to the Budget Analyst resulting from such vacated space totaled $3,694,051, as shown in the table below:

Airport Space to be Vacated	Square Feet	Projected Rental Rates	Projected Annual Revenue
On-site Warehouse Space	153,431 sq. ft.	$21.00/sq. ft. ($1.75/sq. ft. per month)	$3,222,051
On-site Human Resources Office Space	2,900 sq. ft.	$80.00/sq. ft. ($6.67/sq. ft. per month)	$232,000
Storage space at 350 Harbor Way	25,000 sq. ft.	$9.60/sq. ft. ($0.80/sq. ft. per month)	$240,000
TOTAL			$3,694,051

According to the Airport, this new additional annual revenue would offset the cost of the Airport's lease previously approved by the Board of Supervisors between the Airport and South City Industrial Company, LLC. This lease obligated the Airport to pay total annual rental and operating costs of $6,176,077 which would be offset by $3,694,051 in new revenue per year, reducing the potential net cost increase of the proposed lease to $2,482,026 annually.

13. Mr. Franzella now reports in Attachment II that the actual new rental revenue resulting from vacated space at the Airport, as described below, is a result of the Airport's information technology and telecommunications department (ITT) occupying the vacated Human Resources space, and not being forced to occupy commercial space in the new International Terminal. The commercial space that ITT would have occupied is expected to be leased to major airline companies within a relatively short period of time. The vacated Human Resources space has thus resulted in revenues as indicated in the table below. Mr. Franzella

further reports that the actual revenue realized from sub-leasing of storage space at 350 Harbor Way is $182,244, or $57,756 annually less than the $240,000 estimate shown in the table above.

The table below summarizes the new sub-lease revenue the Airport has realized to date.

Space Vacated	Square Feet	Rental Rates	Actual Revenue
HR Office Space, Subsequently Occupied by ITT	2,900 sq. ft.	$81.73/sq. ft. ($6.81/sq. ft. per month)	$237,017
Storage space at 350 Harbor Way	25,000 sq. ft.	$7.29/sq. ft. ($0.61/sq. ft. per month)	182,244
TOTAL			$419,261

The Budget Analyst notes that the actual new additional annual rental revenue to be realized by the City from vacated Airport space shown above as $419,261 is $3,274,790 or 88.7 percent less than the annual amount projected by the Airport of $3,694,051 and reported to the Budget Analyst and the Board of Supervisors in April of 1999. Mr. Franzella states that the Airport is working with DRE to secure additional sub-tenants that will offset this significant difference in unrealized revenues.

14. Mr. Franzella notes, however, that the current lease at 245 South Spruce Street allowed the Airport to forego approximately $935,000 in one-time infrastructure costs at the Airport that would have been required to move ITT into the next best available space at the Airport (see Attachment II to this report).

15. In summary, if the Board of Supervisors approves the proposed sub-lease to COFAM, the lease of space at 245 South Spruce Avenue would generate annual revenue as follows:

Proposed Fine Arts Museum Sub-lease	$273,864
Sub-lease of 350 Harbor Way	182,244
Space not being occupied by ITT	237,017
Total	$693,125

Additionally, the current lease allows the Airport to forego approximately $935,000 in one-time infrastructure improvement costs at the Airport.

16. In summary, the Airport's original justification for the lease of 245 South Spruce Avenue in South San Francisco was based on the fact that the Airport's urgent needs for new space would be met and that significant new revenue from the lease of on-Airport space vacated by Airport functions would reduce the $6,176,077 annual rent and operating cost of the lease previously approved by the board of Supervisors at 245 South Spruce Avenue by $3,694,051 to $2,482,026.

Subsequent to the execution of the lease of the property after the Board of Supervisors approval, the Airport determined that the actual cost of required improvements to warehouse space of between $9,000,000 and $10,000,000 was significantly more than preliminary estimates, making the transfer of functions from the Airport to the 245 South Spruce Avenue warehouse space infeasible. At the time the Airport submitted the proposed resolution for the lease of 245 South Spruce Avenue to the Board of Supervisors for approval, the Airport did not disclose that any costs would be incurred for renovation of the warehouse space. Because functions have not been transferred from the Airport to 245 South Spruce Avenue, approximately 306,931 square feet, or 54.5 percent of space the Airport leased in South San Francisco from South City Industrial Company, LLC, is now not being utilized at all, and the Airport is not fully realizing the previously estimated additional total revenue of $3,694,051 annually.

Based on the fact that the Airport did not perform an adequate assessment of the costs of renovation required for the 245 South Spruce Avenue property, and that subsequent review produced an estimate of $9,000,000 to $10,000,000 in such costs, making relocation infeasible, the Budget Analyst concludes that the original lease submitted to the Board of Supervisors in April of 1999 was not adequately justified, and should not have been recommended to the Board of Supervisors.

17. The proposed sub-lease to COFAM would result in new annual revenue to the Airport of $273,864. If the proposed sub-lease is approved, the Airport would still be paying rent on 276,502 remaining square feet of space at 245 South Spruce Avenue that is unoccupied and not being used by the Airport. The Airport now states that it intends to sub-lease the remaining 276,502 square feet of space as soon as possible. The Budget Analyst notes that there are no guarantees regarding the amount of space that the Airport will actually be able to sublet, or additional revenues the Airport will realize from space it does sublet.

Recommendation: Approve the proposed resolution.

City and County of San Francisco

Real Estate Division
Administrative Services Department

October 19, 2000

Airport
COFAM Sublet

Harvey Rose
Budget Analyst
1390 Market St.
San Francisco, CA 94102

Dear Mr. Rose:

Your staff has requested our opinion of the COFAM (DeYoung) sublease at 245 So. Spruce from the Airport.

As you are aware, the Airport has decided not to occupy the entire facility. Also, COFAM is in need of highly secure temporary facilities during the renovation of the DeYoung Museum. There appears to be a natural fit of needs.

The proposed sublease transaction was negotiated to start at approximately the Airport's cost of space (.75 psf) and increase annually (unlike the City's lease) by the proportionate increase in the Consumer Price Index. Critical to the transaction is that the DeYoung will be making all of the improvements—estimated to cost $1,500,000. The estimated time to complete these improvements (design, permit, and build) is 6 months.

For this transaction, it made sense to have COFAM complete all of the improvement work. Typically, tenants do not pay rent until at least the base building improvements (demising walls, bathrooms, etc.) are completed by the landlord (which in this case would be the City). For the Airport's benefit, the sublease is structured to limit the construction period to 6 months. .

Clearly, the substantial COFAM improvements being made to the facility (mechanical, electrical, plumbing, etc.) will have reuse value for either the Airport or another 3rd party subtenant at the expiration of COFAM's lease.

We hope the above answers your questions. If you have any further questions, please contact Charlie Dunn of our office at 554-9861.

Sincerely,

Anthony J. DeLucchi
Director of Property

cc: Gary Franzella, SFIA

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AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Dalcy Dunham, Jr.
Budget Analyst Office

DATE: October 17, 2000

FROM: Gary Franzella
Assistant Deputy Airport Director

SUBJECT: **Proposed Sub-lease to Fine Arts Museums**

The following is offered in response to your inquiries regarding the lease of the property at 245 Spruce Avenue, South San Francisco, California:

Background:

In early 1999, the Airport was preparing for an expansion from 6,000,000 sq. ft. to 18,000,000 sq. ft. as the Master Plan was nearing completion. It was clear that maintenance support of the additional terminal space would require not only additional staff but also substantial space to accommodate the additional supplies and maintenance materials.

At that time, the Airport was also critically short of office space for Human Resources staff and was assembling an Airfield Development Bureau to begin the planning for a proposed major runway expansion. In addition, the Airport's Information, Telecommunications and Technology department needed to expand to meet the needs of the New International Terminal Complex. It was determined at that time that neither the additional personnel support areas, nor the storage of supplies and materials, could be accommodated on-site at the Airport.

To address these needs, Airport staff working through the Department of Real Estate ("DRE"), was seeking off-airport office space to house expanding airport staff in Human Resources and the new Airfield Development Bureau, as well as additional warehouse space. DRE located two office facilities and offers were made which were lost because the City was outbid in what was a fast paced commercial real estate market.

Housing the Airfield Development Bureau was becoming critical when DRE became aware of the availability of the facility at 245 South Spruce Avenue. This facility met the Airport's

immediate needs for both office and warehouse space. It also offered the Airport a facility in which multiple functions could be consolidated. Because of the size of the warehouse, the facility also provided a unique opportunity to consider additional uses at the site.

An initial conceptual review indicated that moving the Airport Facility Operations and Maintenance shops to this off-site location was feasible and could free land on-airport for lease to airlines and/or aviation support companies. The state of the real estate market in 1999 did not allow time for design or extensive cost estimates for improvements prior to executing the lease. If moving the FOM shops to the site proved to be unfeasible, the Airport was aware that subletting the facility at or above the negotiated rental rate was very likely.

Following the negotiation of the lease and Board of Supervisor approval, the phase one development of the office area commenced, to be followed by a preliminary design of the shop area.

<u>Proposed Use of Facility:</u>

Phase two analysis commenced in late 1999 and by mid 2000 revealed that improvements to facilitate the intended move of the shops would cost between nine and ten million dollars.. The airport was aware that one of the trade-offs to the shop relocation was an additional six to ten minutes in travel time between the site and the Airport for shop personnel. The high cost of improvements necessary for implementation, along with the additional travel time, led to a decision not to move the shops to Spruce Avenue. At that time, in accordance with the planned alternative, the Business Division of the Airport was tasked with finding sub-tenants at the 245 Spruce Avenue facility.

Working through DRE multiple prospective sub-tenants have been identified with varying uses at the site. This is the first such sub-lease to be finalized.

<u>Current Location of Personnel and Materials:</u>

The FOM shops are currently housed on-airport in a facility that is sub-leased from Northwest Airlines through 2005. The Airport has taken an approach to establish satellite shops within the New International Terminal Complex and this has allowed for housing of additional personnel for the current time period. The Airport is exploring alternatives for on-airport locations that may accommodate expanded shops to meet future needs.
All Airport storage needs have been accommodated at the Spruce Avenue facility. This 133,000 square foot storage facility has been implemented at the site without any capital investment in improvements. During the final stages of the New International Terminal, approximately 60,000 additional square feet are being utilized for interim storage.

Current Utilization of the Site:
The following is a chart detailing the current utilization of the facility:

Office Area: 45, 674 sq. ft.

Occupants:	
Human Resources:	61 employees
Airfield Development Bureau:	64 employees
Reprographics	17 employees

Mezzanine Area: 3,331 sq. ft.
This is a multi-purpose area used for HR examinations, interviews and conference rooms used by multiple departments of the Airport.

Warehouse: 513,931 sq. ft.

Occupants:	
Airport Storage:	133,000 sq. ft.
Temporary Storage:	60,000 sq. ft.
Reprographics Equipment /storage area:	14,000 sq. ft.
Proposed Museum sub-lease:	30,429 sq. ft.
Available for sub-lease:	276,502 sq. ft.

Revenue Summary:

The Airport has vacated its leased space at 350 Harbor Way in South San Francisco and consolidated storage within the Spruce Facility. The facility at 350 Harbor Way was sub-let in September 1999 through the end of the Airport lease term. (June 30, 2002).

The following is a summary of revenues, including the revenues from the sub-lease of 350 Harbor Way:

	Annual Revenue
Fine Arts Museums Sub-lease	$ 273, 861
Sub-lease of 350 Harbor Way	182, 244
Total Sub-lease Revenues	$ 456,105

Other Revenue Benefits:

Prior to the lease of Spruce Avenue, the Human Resources Department occupied 2,900 square feet of space in the current international terminal. The Airport has subsequently utilized that space to accommodate the additional Airport ITT staff, critical to the start-up of the New International Terminal Complex. ITT staff, by the nature of their duties, were determined to be on-site critical. The only other available space within the Airport complex at that time was in the New International Terminal. The relocation of the Human Resources Department to the Spruce property provided the flexibility of expanding ITT into the former Human Resources

Daley Dunham, Jr.
October 18, 2000
Page 4

space. Although not in the original plan, this flexibility saved the expenditure of additional costs associated with the build out of "remote" ITT expansion space in the New International Terminal. Such a relocation would have not only added cost as outlined below, but the timing of accomplishing this alternative would have potentially impacted the opening date of the New International Terminal Complex.

Because the Human Resources space was adjacent to the existing ITT space it was not necessary to incur additional costs to establish "remote" ITT infrastructure. In addition, the use of space in the New International Terminal for an airport function would preclude the lease of said space to airlines.

Cost Savings:	
One-time cost of build out of office space @ $150/sq. ft.:	$ 435,000
**ITT infrastructure costs associated with "remote" offices:	$ 500,000
Total cost savings:	$ 935,000
Lost Revenues:	
Lost annual rental revenue @ $81.73* sq. ft. per year:	$ 237,017

Notes:

* $81.73 is the current rental rate for airport terminal office space established each fiscal year in accordance with the Airline Lease and Use Agreements.

** This is the additional ITT infrastructure cost estimated to establish a "remote" ITT operation.

Item 4 – File 00-1723

Department: San Francisco Community College District (SFCCD)

Item: Ordinance appropriating $29,605,000 of General Obligation Bonds (Educational Facility Bonds, 1997 - SFCCD) Series 2000A proceeds for general renovation of SFCCD structures, adding health and safety features which bring the structures into ADA compliance, and telecommunications facilities, and costs of issuance.

Amount: $29,605,000

Source of Funds: General Obligation Bonds (Educational Facility Bonds, 1997 – SFCCD) Series 2000A, hereafter referred to as "Educational Facility Bonds, Series 2000A".

Description: On June 3, 1997, a total of $50,000,000 in General Obligation Bonds for the acquisition, construction, and/or reconstruction of SFCCD educational facilities was approved by the electorate. The first series of Educational Facility Bonds (Series 1999A) was issued on June 16, 1999 in the amount of $20,395,000. Bond proceeds were appropriated for the acquisition, construction, and/or reconstruction of SFCCD education facilities by approval of the Board of Supervisors on October 18, 2000 (File 99-1573).

The second series of Educational Facility Bonds (Series 2000A) were issued on June 14, 2000 in the amount of $29,605,000 following approval by the Board of Supervisors on May 1, 2000 (File 00-0677). When added to the Series 1999A Bonds issued on June 16, 1999 in the amount of $20,395,000, the subject amount of $29,605,000 represents the full balance of the $50,000,000 in General Obligation Bonds approved by the electorate for the acquisition, construction, and/or reconstruction of SFCCD educational facilities. The Educational Facility Bonds, Series 2000A will fund the balance of the SFCCD's acquisition, construction, and/or reconstruction program.

The subject supplemental appropriation would appropriate $29,605,000 in Bond proceeds for the following: (a) $8,251,341 for health and safety upgrades;

(b) $7,427,791 renovation projects; (c) $10,512,120 for technology and electrical improvements; (d) $741,760 for ADA projects; (e) $1,725,983 for childcare facilities; (f) $804,207 for site acquisitions; and (g) $141,798 for Bond issuance costs.

Budget:

The budget for the appropriation of the $29,605,000 in Bond proceeds is summarized as follows:

Purpose of Appropriation	Total Estimated Costs
Health and safety upgrades	$8,251,341
Renovation projects	7,427,791
Technology, network, and electrical upgrades	10,512,120
Disability access improvements (ADA)	741,760
Childcare facilities	1,725,983
Land acquisitions	804,207
Subtotal	$29,463,202
Bond Issuance Costs	141,798
TOTAL	$29,605,000

The Attachment, provided by Mr. Peter Goldstein of the SFCCD, contains a detailed budget for the entire $50,000,000 program for the acquisition, construction, and/or reconstruction of SFCCD educational facilities funded by Educational Facility Bonds, Series 1999A and Series 2000A.

Comments:

1. In November 1997, the Board of Supervisors authorized and directed the sale of General Obligation Bonds (Educational Facility Bonds, 1997 – SFCCD) Series 1998B not to exceed $17,000,000 (Resolution No. 1027-97). The Bond issuance was delayed due to litigation related to Proposition D which had been placed on the same June 3, 1997 ballot to authorize the City to issue Football Stadium Bonds. This litigation delayed bond counsel issuing a final opinion on the validity of the SFCCD Bonds. Consequently, the SFCCD requested that

additional Bond funds be authorized and issued to cover project costs for an additional year. On March 1, 1999 the Board of Supervisors authorized and directed the sale of Educational Facility Bonds, Series 1999A not to exceed $23,000,000 (File 99-0197), thereby replacing the previous authorization of $17,000,000. However, as noted above, the SFCCD sold only $20,385,000 of the $23,000,000 Bond issuance authorized by the Board of Supervisors (File 99-1154).

Educational Facilities Bonds, Series 2000A were approved by the Board of Supervisors on May 1, 2000 (File 00-0677) and were issued on June 14, 2000. The total Bond proceeds for Educational Facility Bonds, Series 2000A, inclusive of bond issuance costs of $141,798, are in the amount of $29,605,000.

2. According to Mr. Goldstein, the SFCCD has not expended or encumbered any of the Series 2000A Bond proceeds in advance of Board of Supervisors appropriation approval.

3. As shown in the Attachment, there have been some changes in specific project expenditures since the original 1997 project budget submitted with the ballot measure for voter approval of the $50,000,000 in General Obligation Bonds. However, these changes are either relatively minor in percentage terms or can be explained by the addition of State Maintenance Funds allocated to the SFCCD (see Comment No. 4 below).

4. According to Mr. Goldstein, the SFCCD has been awarded $2,380,980 in State Maintenance Funds in relation to Educational Facility Bonds, Series 1999A expenditures for health and safety upgrades and for technology, network, and electrical upgrades (as shown in the table below). The SFCCD expects to be awarded a further $850,000 in relation to Educational Facility Bonds, Series 2000A expenditures for health and safety upgrades and for technology, network, and electrical upgrades, for an estimated total of $3,230,980 in State Maintenance Funds to supplement the $50,000,000 in Bond proceeds. Therefore, total funding is estimated to

be $53,230,980, as shown in the Budget Analyst's footnote to the Attachment.

5. According to Mr. Goldstein, the SFCCD estimates that previously appropriated Bond funds have realized interest earnings to date of approximately $700,000. Of this amount, the SFCCD has allocated $300,000 to remodeling its Educational Opportunity Program and Services facility which provides services for disadvantaged, at-risk students. Mr. Goldstein states that the balance of approximately $400,000 is being reserved as a contingency budget for unforeseen project costs. Expenditure of such interest earnings will be subject to future Board of Supervisors appropriation approval.

6. City departments responsible for expenditure of General Obligation Bond proceeds are required by the General Obligation Bond Accountability Reports Ordinance (Part I of the San Francisco Administrative Code, Article VIII, Sections 2.70 through 2.74) to submit formal reports on the actual expenditure of Bond proceeds to the Board of Supervisors. According to Mr. Dave Sanchez of the City Attorney's Office, the General Obligation Bond Accountability Reports Ordinance does not apply to a non-City entity such as the SFCCD. However, the SFCCD does provide the Budget Analyst's Office with regular reports on its expenditure of Bond proceeds.

Recommendation: Approve the proposed ordinance.

San Francisco Community College District
Bond Funds Integrated Budget
September 30, 2000

A	B	C	D	E	F	G	H	I
Site	Project	Original 1997 Budget Proposal	Series 1999A Proceeds Expended to date	Series 1999A Proceeds yet to be expended	Series 2000A Proceeds expended to date	Series 2000A Proceeds yet to be expended	Totals D through G	% Diff C / H
	Grand Totals	$ 50,000,000	$ 16,380,078	$ 4,014,922	$ -	$ 29,605,000	$ 50,000,000	0.0%
Alemany	ADA	567,905	9,312	82,413		476,180	567,905	
Downtown	ADA	183,777		47,780		135,997	183,777	
John Adams	ADA	226,287	5,619	91,085		129,583	226,287	
	Total ADA	977,969	14,931	221,278	-	741,760	977,969	0.0%
Districtwide	Bond Admin	876,557	392,996	480,998			873,994	
Districtwide	Bond Issuance cost	-	-	(141,798)		141,798	-	
Districtwide	Debt Service	-	2,563	-			2,563	
	Total Bond Adm	876,557	395,559	339,200	-	141,798	876,557	0.0%
John Adams	Remodel existing	484,418		(4,932)		489,350	484,418	
Phelan Campus	New Construction	1,471,654		235,021		1,236,633	1,471,654	
	Total Child Care	1,956,072	-	230,089	-	1,725,983	1,956,072	0.0%
Alemany	Health & Safety	2,453,013	2,676	396,791		2,053,546	2,453,013	
Batmale	Health & Safety	163,312	461,621	-		80,287	541,908	
Child Care	Health & Safety	2,538		2,538			2,538	
Chinatown	Health & Safety	-	18,003	-			18,003	
Classroom Facilty	Health & Safety	-	22,340	-			22,340	
Cloud Hall	Health & Safety	198,108	329,959	-		146,601	476,560	
Conlan Hall	Health & Safety	131,331	15,568	-		128,683	144,251	
Creative Arts	Health & Safety	250,448	148,211	-		122,393	270,604	
Creative Arts Ext	Health & Safety	96,997	176,293	-		68,598	244,891	
Diego Rivera Thea	Health & Safety	-	14,542	-			14,542	
Downtown	Health & Safety	628,378	50,038	137,633		440,707	628,378	
Evans	Health & Safety	-	10,548	-			10,548	
Gen Infrastructure	Health & Safety	1,329,147	1,089,650	-		744,623	1,834,273	
Gough	Health & Safety	-	34,502	-			34,502	
Horticulture	Health & Safety	43,405	1,584	-		42,530	44,114	
John Adams	Health & Safety	4,211,434	198,386	302,770		3,710,278	4,211,434	
Library	Health & Safety	-	33,319	-			33,319	

Note: for Exteranal Distribution

San Francisco Community College District
Bond Funds Integrated Budget
September 30, 2000

A	B	C	D	E	F	G	H	I
Site	Project	Original 1997 Budget Proposal	Series 1999A Proceeds Expended to date	Series 1999A Proceeds yet to be expended	Series 2000A Proceeds expended to date	Series 2000A Proceeds yet to be expended	Totals D through G	% Diff C / H
Mission	Health & Safety	-	12,469	-			12,469	
North Gym	Health & Safety	339,727	82,899	31,133		225,695	339,727	
Science Hall	Health & Safety	475,916	401,369	-		266,318	667,687	
Smith Hall	Health & Safety	14,943	45,211	-		14,643	59,854	
South Gym	Health & Safety	207,008	109,408	150		97,450	207,008	
Statler Wing	Health & Safety	-	27,475	-			27,475	
Student Union	Health & Safety	38,379	6,995	-		37,606	44,601	
Visual Arts	Health & Safety	174,911	47,298	56,230		71,383	174,911	
	Total Health & Safety	10,758,995	3,340,364	927,245	-	8,251,341	12,518,950	
	Less: State Match		(995,050)	(693,692)			(1,688,742)	
	Total Health & Safety	10,758,995	2,345,314	233,553	-	8,251,341	10,830,208	-0.7%
Chinatown	Land Acquisition	6,700,000	6,194,595	505,405		-	6,700,000	
Mission	Land Acquisition	3,300,000	2,402,840	92,953		804,207	3,300,000	
	Total Land Acquis.	10,000,000	8,597,435	598,358	-	804,207	10,000,000	0.0%
Alemany	Renovation	321,267		-		235,093	235,093	
Balmale	Renovation	620,882		-		302,180	302,180	
Classroom Facilty	Renovation	-	942,289	-			942,289	
Creative Arts	Renovation	506,857	620	-		407,452	408,072	
Creative Arts Ext	Renovation	309,710		-		301,536	301,536	
Downtown	Renovation	303,407	19,885	-		178,138	198,023	
Gen Infrastructure	Renovation	38,114		-		395,403	395,403	
Horticulture	Renovation	503,278		-		375,326	375,326	
John Adams	Renovation	885,735	29,558	-		693,837	723,395	
North Gym	Renovation	1,202,537	161,610	-		970,801	1,132,411	
Science Hall	Renovation	955,144		-		918,698	918,698	
Shop & Whrhse	Renovation	-	274,136	-			274,136	
Smith Hall	Renovation	695,273		-		651,848	651,848	
South Gym	Renovation	1,262,946	249,477	-		1,029,617	1,279,094	
Stadium	Renovation	-	13,000	-			13,000	
Student Union	Renovation	184,059	7,200	-		114,906	122,106	

Note: for Exteranal Distribution

San Francisco Community College District
Bond Funds Integrated Budget
September 30, 2000

A	B	C	D	E	F	G	H	I
Site	Project	Original 1997 Budget Proposal	Series 1999A Proceeds Expended to date	Series 1999A Proceeds yet to be expended	Series 2000A Proceeds expended to date	Series 2000A Proceeds yet to be expended	Totals D through G	% Diff C / H
Visual Arts	Renovation	237,118	2,720	-		208,580	211,300	
Cloud Hall	Renovations	934,033	141,646	-		418,030	559,676	
Conlan Hall	Renovations	331,479	117,475	-		226,346	343,821	
	Total Renovations	9,291,839	1,959,616	-	-	7,427,791	9,387,407	-1.0%
Alemany	Technology/Elect	543,943	80,371	81,093		382,479	543,943	
Batmale	Technology/Elect	1,860,123	585,387	98,543		1,176,193	1,860,123	
Child Care	Technology/Elect	156,648	15,556	56,733		84,359	156,648	
Chinatown	Technology/Elect	398,942	43,861	355,081			398,942	
Classroom Facilty	Technology/Elect	-	25,891	-			25,891	
Cloud Hall	Technology/Elect	944,003	385,163	27,347		531,493	944,003	
College Bookstore	Technology/Elect	143,767	14,277	58,921		70,569	143,767	
Conlan Hall	Technology/Elect	829,546	360,241	37,002		432,303	829,546	
Creative Arts	Technology/Elect	839,939	107,710	198,549		533,680	839,939	
Creative Arts Ext	Technology/Elect	582,550	103,677	110,109		368,764	582,550	
Diego Rivera Thea	Technology/Elect	241,244	23,957	46,976		170,311	241,244	
Downtown	Technology/Elect	1,123,562	176,875	95,278		851,409	1,123,562	
Evans	Technology/Elect	314,748	59,039	-		313,933	372,972	
Gen Infrastructure	Technology/Elect	-	-	-		35,576	35,576	
Gough	Technology/Elect	-	28,882	-			28,882	
Horticulture	Technology/Elect	236,501	58,364	11,818		166,319	236,501	
John Adams	Technology/Elect	1,766,854	200,058	325,327		1,241,469	1,766,854	
Library	Technology/Elect	73,139	73,749	-		160,474	234,223	
Mission	Technology/Elect	391,165	46,684	344,481			391,165	
North Gym	Technology/Elect	388,811	117,342	170,393		101,076	388,811	
PE Dance Studio	Technology/Elect	60,781	6,036	46,718		8,027	60,781	
Science Hall	Technology/Elect	1,908,052	251,545	-		1,760,842	2,012,387	
Smith Hall	Technology/Elect	424,762	53,667	162,487		208,608	424,762	
South Gym	Technology/Elect	463,434	120,974	145,502		196,958	463,434	
Southeast	Technology/Elect	638,502	88,267	-		656,447	744,714	
Stadium	Technology/Elect	-	5,253	-			5,253	
Statler Wing	Technology/Elect	380,899	37,825	129,526		213,548	380,899	

Note: for Exteranal Distribution

 Bond Exp-Projections-SF Bd of Sup2 BFIB_ FIN _BAL (2) 10/17/00 10:09 AM

San Francisco Community College District
Bond Funds Integrated Budget
September 30, 2000

A	B	C	D	E	F	G	H	I
Site	Project	Original 1997 Budget Proposal	Series 1999A Proceeds Expended to date	Series 1999A Proceeds yet to be expended	Series 2000A Proceeds expended to date	Series 2000A Proceeds yet to be expended	Totals D through G	% Diff C / H
Student Health	Technology/Elect	127,257	54,060	18,238		54,959	127,257	
Student Union	Technology/Elect	467,293	51,938	148,598		266,757	467,293	
Visual Arts	Technology/Elect	832,103	87,374	219,162		525,567	832,103	
	Total Tech/Elect	16,138,568	3,264,023	2,887,882	-	10,512,120	16,664.025	
	Less: State Match		(196,800)	(495,438)			(692,238)	
	Total Tech/Elect	16,138,568	3,067,223	2,392,444	-	10,512,120	15,971,787	1.0%

Footnote: Based on information provided by the SFCCD, the Budget Analyst notes that the estimated total funding is $53,230,980.

Funding Source		Amount	Totals
Educational Facility Bonds, Series 1999A		$20,395,000	
Educational Facility Bonds, Series 2000A		29,605,000	
	Subtotal:		$50,000,000
State Maintenance Funds for health and safety projects		1,688,742	
State Maintenance Funds for technology, network, and electrical upgrades		692,238	
	Subtotal:		$2,380,980
Estimated State Maintenance Funds which have yet to be claimed by SFCCD		850,000	
	Subtotal:		$850,000
TOTAL:			$53,230,980

Item 5 - File 00-1789

Department: Public Utilities Commission (PUC)

Item: Resolution approving the expansion of the Public Utilities Commission Commercial Paper Program by increasing the aggregate principal amount which may be outstanding at any one time of San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) by $100,000,000 from $150,000,000 to $250,000,000 pursuant to Article V of Chapter 43 of Part I of the San Francisco Municipal Code for the purpose of financing and refinancing certain capital improvements related to the Water Enterprise; approving the maximum interest rate thereon; and related matters.

Amount: $250,000,000

Source of Funds: Commercial Paper Notes, to be repaid with Water Revenue Bonds.

Background: On November 4, 1997 voters approved two Water Revenue Bond issues in the total amount of $304,000,000. Specifically, the voters approved

- Proposition A, authorizing the City to issue $157,000,000 in Water System Reliability and Seismic Safety Revenue Bonds for the purpose of providing funds for acquiring and constructing reliability and seismic safety improvements to the City's water system (File 60-97-4).
- Proposition B, authorizing the City to issue $147,000,000 in Safe Drinking Water Improvement Revenue Bonds for the purpose of acquiring and constructing safe drinking water improvements related to the City's water system (File 60-97-5).

On June 8, 1998 the Board of Supervisors approved the procedures for PUC to issue Commercial Paper in anticipation of the issuance of Water Revenue Bonds (File 98-738). Commercial paper is a short-term financing instrument used by both corporations and municipal issuers as bridge financing until long-term financing is issued. It is used on an as-needed basis to meet short-

term cash demands. In contrast to the 30-year Revenue Bonds which are generally issued to finance the PUC's capital costs, Commercial Paper maturities range from one to 270 days. The term and interest rate of each Commercial Paper sale is determined on the day of the sale, and varies according to the PUC's cash needs and market conditions. Over the past 10 years, Commercial Paper interest rates in California have averaged over 2 percent less than 30-year Revenue Bond interest rates. Therefore, Commercial Paper can be used as a short-term, low-cost source of construction financing prior to the sale of long-term Revenue Bonds.

On May 17, 1999 the Board of Supervisors approved the issuance of:

- Up to $150,000,000 of PUC Commercial Paper Notes (Water Series), secured by a Letter of Credit and Reimbursement Agreement (Letter of Credit), for the purpose of financing and refinancing water system improvements, and for the costs of issuance and other related costs (File 98-2026). The Board of Supervisors approved a maximum rate of interest for the Commercial Paper of 12 percent annually. According to Mr. Phil Arnold of the PUC, the range of actual interest rates obtained by the PUC since its first sale of Commercial Paper has been 2.65 percent to 4.3 percent in contrast with the interest rate range for 30-year Revenue Bonds of 5.65 percent to 6.8 percent over the same period of time.
- Up to $140,000,000 of Water Revenue Bonds, for the purpose of funding water system improvements, debt service reserves, and costs of issuance, including redemption premiums, and other related costs (File 99-0784). These long-term Revenue Bond proceeds were authorized to repay the short-term Commercial Paper debt described above. The debt service on these Revenue Bonds are to be repaid from Water Department revenues and not from the General Fund. Mr. Arnold states that no Water Revenue Bonds have been issued to date. The first sale is anticipated to be held in late Spring of 2001. If interest rates continue to be reasonable and the size of the FY 2001/02 capital improvement program warrants it, the PUC is likely

to issue Water Revenue Bonds up to the authorized maximum of $140,000,000. According to Mr. Arnold, the exact timing of the sale during 2001 would be determined by the most advantageous interest rates. Mr. Arnold further notes that the PUC always has the option to refinance its Revenue Bonds should interest rates subsequently decrease.

The PUC's Commercial Paper program is not backed by General Fund Revenues and does not create any exposure to the General Fund. Underwriting of the Commercial Paper is provided by a team consisting of Lehman Brothers and Lam Securities Investment, Inc.[1]

Under the First Supplemental Issuing and Paying Agent Agreement, Chase Manhattan Bank and Trust Co., N.A.[2] makes principal and interest payments when they become due for any Commercial Paper which has been issued, and the PUC reimburses Chase Manhattan from additional Commercial Paper proceeds.

A Letter of Credit from two banks, (a) Bayerische Landesbank Gironzentrale and (b) the State Street Bank and Trust Company[3], provides the necessary security for the Commercial Paper. The Letter of Credit, which has a limit of $150,000,000, is the equivalent of a line of credit for the Commercial Paper Program, guaranteeing that the Commercial Paper buyers will be repaid immediately on each roll date (the maturity date for a Commercial Paper

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[1] The PUC held a Request for Proposals process in May of 1998. The PUC received six proposals, and selected two teams after evaluating the proposals based on criteria specified in the RFP, including firm capacity and experience, assigned project staff, and cost. One team comprised Lehman Brothers and Charles A. Bell (a MBE firm), the other team comprised Goldman Sachs and Lam Securities Investment, Inc. (a MBE firm). According to Mr. Arnold, Goldman Sachs withdrew from the selection process and Charles A. Bell was acquired by another MBE firm whose annual revenue was too great to qualify for MBE preference ratings from the Human Rights Commission. Therefore, the PUC instead approved a team of Lehman Brothers and Lam Securities Investment, Inc.

[2] Chase Manhattan was selected through a Request for Proposals process. Although Chase Manhattan was a close second in terms of determining the highest scoring firm, the top scoring firm declined to comply with Chapter 12B of the City's Administrative Code pertaining to the Equal Benefits Ordinance. Therefore, the PUC selected Chase Manhattan instead.

[3] The PUC selected these two banks bidding together as a syndicate after a competitive bid process held in December of 1999. The PUC received three bids, and selected the bid which offered the lowest basis points (split between 35 basis points for the PUC's principal outstanding and 15 basis points for the balance).

Note when it becomes due for resale at a new rate). As a result, the credit rating for the Commercial Paper is based on the short-term credit rating of those two banks, rather than on the PUC's credit rating. The Board of Supervisors previously authorized a five-year term for the Letter of Credit, which is in effect from July 22, 1999 through July 21, 2004. Assuming no extensions or contract modifications (which would require authorization by the Board of Supervisors), the PUC would have to sell the long-term Water Revenue Bonds, or appropriate other legally available funds, in order to pay back the Commercial Paper no later than July 21, 2004. However, as noted above, the PUC expects to sell $140,000,000 in long-term Water Revenue Bonds in late Spring of 2001, subject to Board of Supervisors approval and PUC estimation of interest rate fluctuations during the course of 2001.

Description: Under the subject resolution, the PUC would expand the aggregate principal amount which could be outstanding at any one time in its Commercial Paper Program from $150,000,000 to $250,000,000, an increase of $100,000,000 or approximately 66.7 percent. Under the proposed expanded Commercial Paper program, Lehman Brothers and Lam Securities Investment, Inc. would continue as the underwriting team, and Chase Manhattan Bank would continue as the Issuing and Payment Agent. The Letter of Credit from Bayerische Landesbank Gironzentrale and the State Street Bank and Trust Company would be increased from $150,000,000 to $250,000,000, and a third bank, Morgan Guaranty, would become a party to that expanded Letter of Credit[4]. The maximum allowable interest rate of 12 percent would remain unchanged. However, according to Mr. Arnold, the actual interest rates are anticipated by PUC to be much lower.

Comments: 1. Of the $304,000,000 authorized by voters for Water Revenue Bonds, the Board of Supervisors has, to date, only approved issuance of up to $150,000,000 in Commercial Paper. Of this total of $150,000,000, the

[4] Mr. Arnold states that Bayerische Landesbank Gironzentrale and the State Street Bank and Trust Company would each be responsible for $100,000,000, while Morgan Guaranty would be responsible for $50,000,000.

PUC has issued $41,000,000 which leaves $109,000,000 of the original Commercial Paper authorization unsold, according to Mr. Arnold. The $304,000,000 Water Revenue Bond authorization represents a key initial funding source for the current PUC capital improvement program which has an estimated total cost of $3,500,000,000 over the next 10 to 15 years[5]. Attachment I, provided by the PUC, lists the current capital improvement projects totalling $226,332,545 for FY 1999-2000 and FY 2000-01 which are being funded by the Commercial Paper Program. According to Mr. Arnold, the proposed $100,000,000 expansion in the Commercial Paper Program, to increase it to $250,000,000, would permit complete funding of the full amount of the FY 1999-2000 and FY 2000-01 Water Enterprise capital improvement program appropriation totaling $226,332,545, part of which is currently reserved by the Controller in the FY 2000-01 budget (see Comment No. 2).

2. The current maximum authorized amount of the Commercial Paper Program is $150,000,000 of which $12,230,000 must be reserved for potential future interest payments, as required by the Letter of Credit. Consequently, the maximum amount of Commercial Paper that may currently be issued to fund the capital improvement program is $137,770,000. To date, as shown in Attachment I, the Board of Supervisors has appropriated a total of $226,332,545 in capital improvement projects to be funded by Water Revenue Bond proceeds. Since the funds appropriated for these capital projects totaling $226,332,545 exceed the authorized amount of the Commercial Paper Program less the required reserve for potential future interest payments ($137,770,000) by $88,562,545, the PUC and the Controller have jointly agreed to place a reserve of $89,300,000 on funding for the capital improvement program pending the availability of additional financing. The total funding reserve of $89,300,000 comprises (a) $18,875,000 reserved for FY 1999-2000 projects and (b) $70,425,000 reserved for FY 2000-01 projects. The project

[5] According to Mr. Arnold, this estimate is currently being reviewed. A more definite estimate (which is anticipated to remain above $3,000,000,000) is due to be finalized by the PUC in late 2000.

appropriations affected by the funding reserve are listed in Attachment II, provided by the PUC.

3. Mr. Arnold states that the PUC could finance a total of \$88,562,545 in project appropriations by either (a) issuing up to \$140,000,000 in Water Revenue Bonds, as authorized by the Board of Supervisors on May 17, 1999, or (b) increasing the authorized size of the Commercial Paper Program by \$100,000,000. The latter option would increase the principal amount of Commercial Paper which could be issued to approximately \$229,625,000 (allowing approximately \$20,375,000 in reserve for potential future interest, as required by the Letter of Credit). According to Mr. Arnold, increasing the size of the Commercial Paper Program, rather than issuing Water Revenue Bonds, is judged by the PUC to be the more prudent financing strategy at this time, for the reasons outlined in Attachment III, provided by Mr. Bill Berry of the PUC. Mr. Berry states that "The lower costs associated with the commercial paper program when compared to bonds are primarily due to the flexibility to issue only the amount of debt that is needed to finance projects in progress. This flexibility reduces the amount of interest paid because less principal is outstanding."

4. Based on the current relationship between Commercial Paper interest rates and 30-year Revenue Bond interest rates in California, Mr. Arnold estimated the following cost comparison of issuing on January 1, 2001 either (a) Commercial Paper in the amount of \$50,000,000 at 3.5 percent interest (the average interest rate for Commercial Paper in 2000), or (b) Water Revenue Bonds in the amount of \$140,000,000 at 6 percent (the average interest rate for 30-year Revenue Bonds in 2000), without capitalizing the interest.

Under scenario (a), there would be debt service costs of approximately \$875,000 and additional Letter of Credit Costs of approximately \$125,000, for a total cost of \$1,000,000. If the full \$50,000,000 in Commercial Paper was issued on January 1, 2000, and there was an average monthly pay-down of approximately \$8,000,000 for the capital improvement program, there would be 6 percent interest on unspent Commercial Paper proceeds over the

six month period in the amount of $750,000. Therefore, the net cost of scenario (a) would be approximately $250,000.

Under scenario (b), there would be total debt service costs of $5,100,000. There would be 6 percent interest on unspent Water Revenue Bond proceeds over the six month period in the estimated amount of $2,200,000 (once again assuming that there is an average monthly pay-down of approximately $8,000,000 for the capital improvement program). Therefore, the net cost of scenario (b) would be approximately $2,900,000.

While the above scenarios demonstrate that Commercial Paper can be cheaper financing tool than 30-year Revenue Bonds in the short term, Mr. Arnold emphasizes that the PUC is not advocating expansion of the Commercial Paper Program on the basis of potential short term savings since predicted interest rates may or may not be valid. Rather, the PUC is advocating expansion of the Commercial Paper Program on the basis that it is a more prudent financing tool for the reasons outlined in Attachment III.

5. A Letter of Credit with a limit of $150,000,000 presently costs the PUC $315,000 annually. By increasing the limit to $250,000,000, a Letter of Credit would cost the PUC $465,000 annually, an increase of $150,000 each year. Mr. Arnold states that this additional cost would be paid out of Commercial Paper proceeds.

6. Although the proposed resolution would authorize a substantial expansion of the PUC's Commercial Paper Program, neither the underwriting team, the Issuing and Paying Agent, nor the banks providing the Letter of Credit were subject to new RFP or competitive bid processes. Mr. Arnold states that the PUC was advised by its independent financial advisors, a joint venture of Montague DeRose and Associates and Kitahata and Company, that the PUC had obtained a good financial package when it entered into contracts with Lehman Brothers and Lam Securities Investment, Inc., Chase Manhattan Bank, and Bayerische Landesbank

Gironzentrale and the State Street Bank and Trust Company. Mr. Arnold further states that the PUC can terminate any of the existing contracts if competitors offer better financial terms.

7. According to Mr. Arnold, although Commercial Paper interest rates have averaged over 2 percent below 30-year Revenue Bond interest rates over the past ten years, there is no guarantee that this interest rate differential will continue in the future. Attachment III contains a discussion of the market risk associated with an increased Commercial Paper Program, and the risk management options available to the PUC. Mr. Arnold states that the PUC would cover the costs associated with repaying higher than expected Commercial Paper interest rates by selling Bonds earlier than it currently anticipates. However, the PUC reports in Attachment III that it has been issuing "commercial paper notes to provide short-term financing for these [capital improvement program] projects at a lower cost than would be available using fixed-rate long-term bonds" in large part due to the ability "to issue only the amount of debt that is needed to finance projects in progress."

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

SFPUC Calendar Item Number:

Department: Finance

Project: Expansion of commercial paper program

SFPUC - Capital Project Appropriations, Prop "A" and "B" funds

	Prop "A" Projects	FY99 Budget	FY00 Budget	Total
CUW119	BDPL #1&2 -Trestle	$ 426,700		$ 426,700
CUW125	BDPL - Seismic Upgrade	$ 6,779,150	$ 1,000,000	$ 7,779,150
CUW127	SCADA System	$ 13,639,000	$ 4,400,000	$ 18,039,000
CUW131	SFWD - Intertie	$ 5,368,300	$ 3,000,000	$ 8,368,300
CUW135	New Line & By Pass	$ 1,200,000	$ 743,000	$ 1,943,000
CUW165	Equipment Anchorage	$ 1,039,500	$ 2,000,000	$ 3,039,500
CUW191	Fire/Security Upgrades	$ 1,407,000	$ 1,165,000	$ 2,572,000
CUW198	Stone Dam Rehabilitation	$ 121,000	$ 121,000	$ 242,000
CUW202	Replace Prestressed Pipe	$ 5,232,500	$ 5,500,000	$ 10,732,500
CUW226	BDPL Recoating	$ 500,000		$ 500,000
CUW602	New Water Services/Meters	$ 2,894,250	$ 3,050,000	$ 5,944,250
CUW603	Relocate/Realign Services	$ 223,800	$ 355,000	$ 578,800
CUW624	Res. Roof Seismic Upgrade	$ 2,500,000	$ 9,500,000	$ 12,000,000
CUW628	Reservoir Rehabilitation	$ 1,500,000	$ 4,000,000	$ 5,500,000
CUW651	Pump Station Upgrades	$ 600,000	$ 7,000,000	$ 7,600,000
CUW653	Stand by Generators	$ 1,000,000	$ 1,750,000	$ 2,750,000
CUW654	Seismic Upgrade North Basin	$ 1,200,000	$ 5,500,000	$ 6,700,000
CUW657	Balboa/Francisco	$ 300,000		$ 300,000
CUW663	Key Motorized Valves	$ 1,800,000	$ 300,000	$ 2,100,000
CUW666	Clarendon Pump Station	$ 4,000,000	-	$ 4,000,000
CUW672	Sutro Reservoir	$ 4,000,000	$ 1,000,000	$ 5,000,000
CUW860	Relocate/Realign Mains	$ 160,500	$ 420,000	$ 580,500
CUW870	Water Main Replacement	$ 10,250,000	$ 10,250,000	$ 20,500,000
	Subtotal - Projects	$ 66,141,700	$ 61,054,000	$ 127,195,700
				$ -
CUW797	CP Admin/Interest Expense	$ 1,125,000	$ 3,742,700	$ 4,867,700
				$ -
	Sub-total, Prop "A" Projects	$ 67,266,700	$ 64,796,700	$ 132,063,400
	Prop "B" Projects			
CUW134	SVWTP Fast Tracks	$ 362,545	$ 1,706,000	$ 2,068,545
CUW143	HH Water Treatment	$ 12,125,000	$ -	$ 12,125,000
CUW186	SVWTP Improvement Project	$ 35,200,000	$ 13,900,000	$ 49,100,000
CUW206	Tesla Portal/Thomas Shaft	$ 1,403,600	$ 2,850,000	$ 4,253,600
CUW218	Harry Tracy Improvements	$ 5,000,000	$ 4,900,000	$ 9,900,000
CUW222	WQ Compliance Improv.	$ 400,000	$ 1,230,000	$ 1,630,000
CUW223	Distribtion Sys. WQ Improv	$ -	$ 850,000	$ 850,000
CUW632	Sutro Reservoir - Inlet/Outlet	$ 1,967,000	$ 7,000,000	$ 8,967,000
CUW668	Other Reservoirs - Inlet/Outlet	$ 2,000,000	$ 3,000,000	$ 5,000,000
	Subtotal - Projects	$ 58,458,145	$ 35,436,000	$ 93,894,145
				$ -
CUW797	CP Admin/Interest Expense	$ 375,000		$ 375,000
	Sub-total, Prop "B" Projects	$ 58,833,145	$ 35,436,000	$ 94,269,145
	Grand Total	$ 126,099,845	$ 100,232,700	$ 226,332,545

Attachment II

SFPUC Capital Projects Subject to Controller's Reserve

Project Name	5W/CPF/CP A Index Code	A Budget FY 2000/01	A Amount Reserved	5W/CPF/CP B Index Code	B Budget FY 2000/01	B Amount Reserved	Total Reserved
SVWTP Improvement Project (1)				541861		18,875,000	18,875,000 *
SUBURBAN DAM	569021	121,000	121,000				121,000
SUBURBAN OTHER	569031	4,400,000	3,520,000				3,520,000
CITY OTHER	569041	3,742,700	2,100,000	579041	850,000	425,000	2,525,000
SUBURBAN PIPELINE	569051	10,243,000	6,845,000				6,845,000
CITY PIPELINE	569061	14,375,000	8,853,000				8,853,000
CITY PUMP STATION	569081	8,750,000	7,200,000				7,200,000
CITY RESERVOIR	569091	20,000,000	10,780,000	579091	10,000,000	9,700,000	20,480,000
SUBURBAN TREATMENT FACILITY	569101	3,165,000	2,145,000	579101	24,586,000	18,736,000	20,881,000
TOTAL		64,796,700	41,564,000		35,436,000	47,736,000	89,300,000

Budget in project CUW186 was appropriated in FY 1999/00 CIP Budget

*FY 1999-2000 reserve.

SFPUC

WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

Post-it® Fax Note 7671	Date 10/18	# of pages ▸ 4
To Alan Gibson	From Pat Quill	
Co./Dept. HMR	Co. SFPUC	
Phone #	Phone # 487-5255	
Fax # 252-0461	Fax #	

October 18, 2000

Harvey M. Rose, Budget Analyst
1390 Market Street
Suite 1025
San Francisco, CA 94102

Dear Mr. Rose:

I am writing to provide you with additional information on the commercial paper program under the management of the San Francisco Public Utilities Commission (SFPUC). This information is being provided to assist your staff in evaluating the request by the SFPUC to increase the authorized size of the commercial paper program by $100 million to a total of $250 million.

To date, a total of $226.3 million in capital projects have been approved by the Commission and the Board of Supervisors for funding under the 1997 $304 million Water Revenue Bond program. None of these bonds has been issued. Instead, the SFPUC has issued commercial paper notes to provide short-term financing for these projects at a lower interest cost than would be available using fixed-rate long-term bonds. The current authorized size of the SFPUC commercial paper program is $150 million.

Since the funds appropriated for SFPUC capital projects exceed the authorized amount of the SFPUC commercial paper program, the SFPUC Finance staff and the Controller have agreed to place a reserve of $89.3 million on funding for Water Enterprise capital projects pending the availability of additional financing.

The SFPUC has two options available to provide additional financing for the capital projects in the 1997 Water Revenue Bond program. The implementation of either of these options would result in the release of the reserve the Controller has placed on the SFPUC capital budget. These options are outlined below:

> **<u>Revenue Bond Option:</u>** The Board of Supervisors has authorized the SFPUC to issue up to $140 million in revenue bonds to finance capital improvement projects approved under Propositions A and B in 1997. If these bonds were sold, the bond proceeds plus the total authorized size of the commercial paper program would exceed the $226.3 million in appropriations for projects funded under Propositions A and B and the Controller's $89.3 million reserve would be lifted.
>
> **<u>Commercial Paper Option:</u>** An increase in the authorized size of the commercial paper program by $100 million would allow the Controller to release the reserve on SFPUC capital project funding. The total amount of the expanded program (including required reserves) would be $250 million. The amount of principal which could be issued under this expanded program would be approximately $228 million which would be sufficient to fully cover the $226.3 million of capital appropriations.

COST COMPARISON (BONDS VS. COMMERCIAL PAPER)

The costs to the SFPUC of issuing commercial paper are quite different from the costs of issuing long-term revenue bonds. A revenue bond issue of $140 million under current market conditions (approximately 6 percent interest for 30-year bonds) would have an annual debt service requirement of approximately $10.2 million. It is common practice to capitalize interest for the first year or two of a bond sale to finance construction. Capitalized interest for two years on a 6 percent $140 million bond issue would amount to $8.4 million each year. These interest expenses would be deducted from the bond proceeds before the establishment of the construction fund.

Commercial paper provides an alternative to capitalized interest from bond proceeds. The total costs of issuance and interest for the SFPUC commercial paper program during its first year of operation have been approximately $1 million. The lower costs associated with the commercial paper program when compared to bonds are primarily due to the flexibility to issue only the amount of debt that is needed to finance projects in progress. This flexibility reduces the amount of interest paid because less principal is outstanding. As the amount of commercial paper outstanding increases, the cost differential for interest between commercial paper and bonds decreases. However, over the past ten years, short-term interest rates have averaged more than two percent below long-term interest rates. This rate differential produces savings in interest costs even if the principal outstanding is the same.

INVESTMENT EARNINGS

The cost comparisons above do not take earnings on invested bond or commercial paper proceeds into account. Over the last year, the SFPUC earned $778,926 from invested commercial paper proceeds. These interest earnings compare to interest payments of $505,890 during the same period. Under the Internal Revenue Code, it is permissible for an issuer to earn interest on debt proceeds in excess of the bond or commercial paper interest rate provided that certain spending tests are met. The SFPUC has successfully met the spending tests for the commercial program, but would not have met the tests had it issued fixed-rate bonds. In that case, the SFPUC would have been required to rebate excess earnings to the federal government. The SFPUC currently has a rebate obligation of $495,882 in connection with a 1996 issue of Water Revenue Bonds.

MARKET RISK AND RISK MANAGEMENT OPTIONS

Although short-term interest rates have averaged over two percentage points below long-term interest rates over the past ten years, there is no guarantee that this interest rate differential will continue in the future. Furthermore, long-term interest rates fluctuate over time. The current thirty-year bond rate (5.75 percent as of October 17, 2000) is approximately the same as the thirty-year bond rate at this same time last year. However, during the past year long-term bond rates have risen as high as 6.35 percent and short-term interest rates have exceeded 4 percent from time to time. The SFPUC will ultimately refinance outstanding commercial paper by issuing long-term bonds. If the interest rate on fixed-rate long-term bonds significantly exceeds current rates, it is possible the SFPUC will pay higher interest costs over the life of the bond issue than would have been the case had the SFPUC issued long-term bonds initially.

This is a risk borne by many issuers of commercial paper in both the taxable and tax-exempt markets, and there are several options for managing such risk. One way to mitigate interest rate risk is to pursue refinancing opportunities in the future. Another option is to issue long-term variable rate bonds rather than fixed-rate bonds. Variable rate bonds have interest rates in the same range as commercial paper, and have demonstrated remarkable stability over many years. Such bonds could be issued on a long-term basis, or as an intermediate-term measure until long-term rates again approach reasonable levels. The SFPUC could also purchase interest

caps to limit the upside risk on an issue of variable rate demand bonds. Use of an interest rate cap in connection with the commercial paper program itself is not appropriate because it will cost more than the savings achieved by using the program. It will also not protect against the possibility that long-term interest rates may be higher than desirable when the commercial paper should be refinanced.

There are many other possible risk-mitigation strategies. Staff has not found it possible to craft rules or an exit strategy to eliminate or mitigate risk, other than active management by SFPUC and Mayor's Office of Public Finance staff and the SFPUC's financial advisors. However, we believe history has shown that sole reliance on fixed-rate long-term bonds is more costly than use of appropriate amounts of short-term and variable rate debt combined with careful, active management.

In addition to the factors described above, it is useful to keep the following factors in mind when considering market risk:

1. This risk exists for all SFPUC financing, including bond issues. It is always possible, with hindsight, to pick a date when the issuance of debt would have saved money.
2. While it is possible for interest rates to increase, it is also possible that the interest rate on "take-out" bonds will be lower than current long-term rates resulting in lower costs for the SFPUC.
3. Given the size of the SFPUC's capital improvement program, the SFPUC will be issuing over $125 million in bonds annually for the foreseeable future; therefore, the SFPUC will likely need to issue bonds at times when rates are higher than current rates. Commercial paper rates can reasonably be expected to be significantly lower than long-term bonds at the time of each issuance, making it desirable to keep a portion of our debt in commercial paper even if rates rise.

COMPARABLE PROGRAMS

Commercial paper was first developed in the 1800's, and has been widely used by U.S. corporations (approximately $1.1 trillion outstanding at the end of 1998). The tax-exempt commercial paper market was established more recently, but has attracted widespread use. The total amount of authorized tax-exempt commercial paper is close to $100 billion. Commercial paper is especially attractive to state governments for cash flow financing and issuers with large capital programs, including water, wastewater and electric utilities.

The State of California has used commercial paper for several years. The current authorized amount is $1.5 billion. In the City and County, the Airport Commission and Board of Supervisors have authorized the issuance of up to $400 million in commercial paper by the San Francisco Airport, with approximately $270 million currently outstanding.

The following table provides the most recent available information regarding Commercial Paper Programs established by the SFPUC and comparable California governmental agencies:

Comparable Commercial Paper Programs
($000)

Commercial Paper Issuer	CP Issued	Authorized Amount
San Francisco Airport	270,000	400,000
LA Dept of Water & Power	NA	400,000
Metropolitan Water Dist. Of So. Cal.	350,000	400,000
Los Angeles Wastewater	NA	400,000
East Bay Municipal Utility District	142,000	250,000
San Diego Co. Water Authority	70,000	250,000
California Dept. of Water Resources	28,117	244,000
Sacramento Muni. Utility Dist.	172,900	177,200
San Francisco PUC	**41,000**	**150,000**

Various sources.

If I can provide you with any additional information in this matter, please contact me at 554-2457 or Phil Arnold at 487-5255.

Sincerely,

Bill Berry

Bill Berry
Assistant General Manager for
Finance and Administration